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Comprehensive Annual Financial Report

***for the Fiscal Year Ended
June 30, 1990***



State of Oregon

**State of Oregon
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1990**

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Governor of Oregon**

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Executive Department**

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Special appreciation is given to all fiscal personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agencies helped make this report possible.

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FOR THE YEAR ENDED JUNE 30, 1990
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BARBARA ROBERTS
GOVERNOR



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To the Citizens and Members of
the Legislature of the State of Oregon:

I am pleased to submit to you my report on the financial condition of the State of Oregon for the fiscal year ended June 30, 1990.

Our Comprehensive Annual Report is presented in three sections. The Introductory Section provides a summary of the organization of State of Oregon government and the budgetary process. The Financial Section contains the statewide General Purpose Financial Statements including the Notes to the Financial Statements. The final section contains Oregon Statistical and Economic Information. The financial data of Oregon state government continues to demonstrate a long standing tradition and commitment to managing public resources responsibly.

My vision for Oregon rests on three pillars: building a quality workforce, protecting and enhancing livable communities, and overhauling the tax structure. The Oregon Benchmarks and our commitment to implement performance measurement for all agencies are also keys to ensure we clearly identify our goals and work efficiently to accomplish them.

Oregon has undertaken some major investments in the past few years. We have invested money to pay for children's programs, our correctional system, our fish hatcheries, and other areas that strengthen the state's economy and environment. We will continue the efforts of recent years and plan to add emphasis and increase services in family planning, land use, workforce improvement, and low-income housing. We also recognize a need to marshal the educational resources of the Portland metropolitan area toward a shared vision for the region.

Given the passage of Ballot Measure 5, the state cannot afford to enhance state services that are paid with General Fund dollars. We are working to provide as much high quality service as we can, and to ensure that all our spending is in line with our mission and goals. We are working to understand the level of service Oregonians want -- what livable communities and quality workforce mean to the citizens of the state. It is then our job to design an equitable tax system to make sure that the Oregon of the future we all envision becomes a reality.

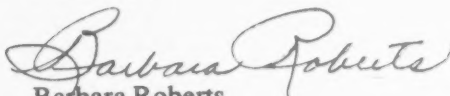
Oregon is well positioned for the decade ahead. According to State Economist Paul Warner, Oregon's economy has been slowed by the national recession, but it continues to outperform the nation. Oregon's job growth was stronger than the nation's in 1990, and the state job growth in 1991 and 1992 should equal or exceed the national average. In 1990, Oregon jobs increased by 38,800 while personal income grew an estimated 7.5 percent. Total job growth in the state is expected to be 0.4 percent in 1991 before accelerating to 1.8 and 2.7 percent in the following years. The rate of job growth in Oregon is expected to exceed the national rate throughout this period. General Fund revenue is expected to grow 21.1 percent in the 1989-91 biennium. Under current law this will lead to a \$169.7 million two percent kicker tax credit in 1992.

We cannot expect the economy always to do well. The lingering recession and the timber industry's weakness are expected to slow the state economy further in 1991 before a rebound takes hold near mid-year and continues through 1993. Revenue growth is expected to slow sharply in the coming biennium as the state economy decelerates from the rapid 1988-1990 pace. Under current law, General Fund revenue is forecast to grow 9.6 percent in the 1991-93 biennium.

If the legislature eliminates the two percent kicker, as I have proposed in my recommended budget, the forecasted revenue will grow by 13.5 percent in 1991-93. But due to school replacement costs required by Ballot Measure 5 we cannot meet increased program costs caused by inflation, federal mandates, and expanding population.

Despite the expected slowdown in Oregon's economy, and the impact of measure 5, I believe in the future of Oregon. Oregonians working together will continue to make our state one of the most livable places in the nation.

Sincerely,


Barbara Roberts
Governor

BR:ra
WPPDIR.224

Honorable Barbara Roberts
Governor of Oregon
State Capitol
Salem, Oregon 97310

EXECUTIVE
DEPARTMENT

Accounting Division

The Comprehensive Annual Financial Report (CAFR) of the State of Oregon for the fiscal year ended June 30, 1990 is submitted in accordance with ORS 291.040.

This report includes financial statements prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the national Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board.

Accountability

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all required financial disclosures, rests with the Executive Department, Accounting Division and the management of the State of Oregon. I am confident that the data presented is accurate in all material aspects, is presented in a manner which fairly sets forth the financial position and results of operations of the State as measured by the financial activity of the various funds, and that the necessary financial disclosures have been made to enable the reader to gain an understanding of the State's financial position and results of operation.

The Reporting Entity

This CAFR includes all State agencies, universities, commissions and boards for which elected State officials have oversight responsibility. Oversight responsibility is derived from the State's authority, and considers financial interdependency, selection of governing authority, designation of management, accountability for fiscal matters, and the ability to influence fiscal matters. These criteria are described in the GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

As a result of a review of the State's reporting entity there will be a group of Commodity Commissions included in the report that have not been included previously. They will be included beginning with fiscal year ending 6/30/91.

Internal Controls

Management within the State of Oregon is responsible for establishing and maintaining internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that financial transactions are properly executed in accordance with legislative and management authorization, and transactions are properly recorded and documented. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits derived. Although we are constantly striving to improve the State's internal control structure, I believe that the internal accounting controls adequately safeguard the State's assets and provide reasonable assurance as to the proper recording of State financial transactions.



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Oregon has, and is, taking several steps to enhance the internal control structure of the State. The legislative body has established a Joint Legislative Audit Committee to review audits performed statewide. The Accounting Division convened a statewide Internal Audit, Internal Control Task Force to review monitoring of the State's internal control structures. As a result, formal rules were issued to monitor and promote the adequacy of the State's internal control structure. The rules will encourage more active participation of management in establishing and maintaining internal controls. In addition the Division is taking steps to better coordinate the work of agency based Internal Audit resources as well as improve monitoring and follow-up of audit deficiencies reported by the Secretary of State, Division of Audits.

Budgetary Controls

The State also maintains a system of budgetary controls. These controls ensure compliance with legal provisions embodied in the biennial budget approved by the Legislature. The development and approval of the biennial budget is the beginning of the financial transaction process. Control of the approved budget is maintained by a formal appropriation, limitation, and allotment system. Agencies' expenditures are monitored daily against approved budgets, quarterly allotments, and cash balances. At the end of the biennium, with few exceptions, goods and services must be received by June 30 in order to be charged against current appropriations or limitations. On December 31 of each odd-numbered year (at the conclusion of the biennium budget), appropriations are reverted and expenditure limitations are canceled.

Basis of Accounting

Oregon financial statements are prepared in accordance with generally accepted accounting principles using the modified accrual basis of accounting to account for all governmental funds, agency funds, and expendable trust funds for financial reporting purposes. Under such principles revenues are recognized when they become measurable and available. For example, taxpayer assessed taxes are considered "measurable" when the revenue is in the hands of intermediary collecting agents. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. An exception to this general rule of expenditure recognition is that principal and interest on general long-term debt are recognized when due.

Proprietary funds, pension trust funds, and nonexpendable trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

For budgetary purposes the State of Oregon uses the modified accrual basis of accounting. The primary differences between budgetary accounting and governmental financial accounting under generally accepted accounting principles are:

1. Borrowed moneys creating long-term debt are considered revenue for budgetary purposes but are not in GAAP financial statements;
2. Collections on long-term receivables are considered revenue for budgetary purposes but are not in GAAP financial statements.

GAAP vs. Budget Cash Balances

The Accounting Division, at June 30, each fiscal year determines and reports the cash balance of the General Fund in accordance with GAAP. During the fiscal year the Budget and Management Division periodically reports a "fund balance" for budget purposes as well as for the Official Statements for bond issues. The fund balance as presented for budget purposes is based on projections. The projection is based on available cash from State Treasury general fund cash balances plus an amount for receivables, and adjusted for revised revenue and expenditure projections for the coming period of interest. The "fund

balance" as presented for budget purposes reflects an estimate of cash and equivalent resources that will be available, rather than a measure in accordance with GAAP.

Financial Management Systems

There are various financial management systems throughout the State. These systems include budgeting, accounting, human resource, payroll, and financial reporting systems. Many of these systems, while providing for a basic level of fiscal management, need to be updated to provide systems that meet today's needs. The current business environment of the State demands more functional financial systems. Growth in the size of State government, limited resources relative to the demand for State services, public pressure for more management accountability in government, increased external reporting requirements, the long-term trend toward higher quality management in government, and the advancement of technology, all combine to require better systems. Major benefits can be achieved by improving financial systems and operations.

The State has recently embarked upon the development of a Statewide Financial Management System (SFMS) Master Plan that will alter the development and implementation of future financial management systems. The SFMS will be a long-term project that will span several biennia. The project will provide connectivity and improved integration among the various branches of government and State agencies. A unified approach to financial management by all levels of State government will result in more effective government management and decision making and will benefit all Oregonians.

Accounting for General Government Activities

General governmental activities are accounted for in four governmental fund types: General, Special Revenue, Debt Service, and Capital Projects Funds. These funds are where most of the State's activities are financed.

Oregon State taxes and miscellaneous revenues are accounted for within the State general fund. These resources are then appropriated for various State programs and services through the State budgeting process. The General Fund ended fiscal year 1990 with a reported cash balance of \$164,675,000 with an Undesignated Fund Balance of \$145,352,000. This compares to a reported fiscal year 1989 General Fund cash balance of \$235,919,000 and an Undesignated Fund Balance of \$92,933,000.

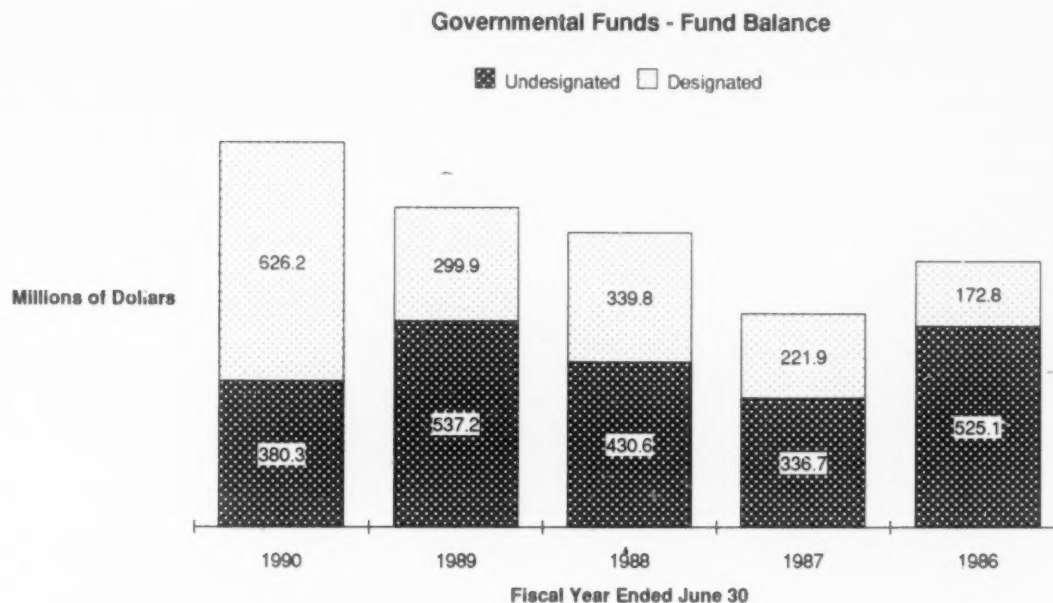
Most Special Revenue Fund revenues are either continuously appropriated to certain agencies or are dedicated by laws to the support of specific programs. The major sources of revenue are federal grants, taxes, and licenses and fees. Special Revenue Funds may not be shifted between major programs in accordance with State statute. Examples of Special Revenue Funds include the Department of Transportation and Department of Education.

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest. The source of revenue is the fund that is responsible for paying off the debt.

The Capital Project Fund is used to account for the purchase or construction of buildings and facilities paid for by the governmental funds.

The bar graph following illustrates the aggregate fund balances of governmental funds at the end of each fiscal year since June 30, 1986. Portions of the Undesignated Fund Balance are restricted for use within constitutionally dedicated funds.

Governmental Funds-Fund Balance - Highlighting the Undesignated Fund Balance - GAAP Basis



The schedule below presents governmental fund revenues for the fiscal year ended June 30, 1990, with comparisons to prior year data. The analysis shows that revenues for the June 30, 1990 fiscal year, for the governmental fund types, have increased a total of 15.1 percent over fiscal year June 30, 1989.

Governmental Fund Revenue

For Fiscal Years Ended June 30, 1990, and 1989
(Dollars in Millions)

	FY 1990	FY 1989	Increase/(Decrease) Over 1989	
			Amount	Percent
Income Tax	\$2,064	\$1,716	\$348	20.3
Sales and Use Tax	495	439	56	12.8
Other Taxes	225	204	21	10.3
Federal Revenue	1,318	1,202	116	9.7
Other Revenues	<u>476</u>	<u>418</u>	<u>58</u>	13.9
Revenue	<u>\$4,578</u>	<u>\$3,979</u>	<u>\$599</u>	15.1

Governmental fund expenditures by function for fiscal year ended June 30, 1990, with comparison to the prior year are presented below. The analysis shows that the expenditures for the governmental funds have increased by 12.3 percent over fiscal year ended June 30, 1989.

Governmental Fund Expenditures by Function

(Dollars in Millions)

	FY 1990	FY 1989	Increase/(Decrease) Over 1989	
			Amount	Percent
Economic Development	\$ 282	\$ 262	\$ 20	7.6
Education	876	791	85	10.7
Human Resources	1,424	1,254	170	13.6
Natural Resources	165	156	9	5.8
Public Safety	102	85	17	20.0
Transportation	690	599	91	15.2
Admin. and Support	350	328	22	6.7
Legislative	16	21	(5)	(23.8)
Judicial	112	104	8	7.7
Debt Service	37	36	1	2.8
Capital Construction	<u>54</u>	<u>21</u>	<u>33</u>	157.1
Total Expenditures	<u>\$4,108</u>	<u>\$3,657</u>	<u>\$451</u>	12.3

Proprietary Operations

Proprietary Funds are business type operations. The two types of funds are Enterprise and Internal Service. Enterprise Funds are established to account for services provided to the public for which the revenues produced by the activity will support the services provided. The largest Enterprise fund operation in the State is the Department of Veterans' Affairs, which makes home mortgage loans to qualified veterans. The Department had a net income approximating \$28.5 million in fiscal year 1989-90. Other examples of enterprise operations are the State Accident Insurance Fund, Oregon Liquor Control Commission, State Lottery, and Housing.

Internal Service Funds are established to provide internal services to internal governmental units. They are operated on a break-even basis. The bulk of internal service funds in the State are operated by General Services. They provide such services as motor pool, printing, risk management, telecommunications, and central stores.

Fiduciary Funds

Fiduciary funds, the trust and agency funds, are used to account for assets held by the State in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, or other funds. These include the expendable, non-expendable, pension trust, and agency funds. Trust funds are established through trust agreements that specify how the fund will operate. Agency funds are merely custodial funds.

Expendable trust funds, such as the Employment Trust Fund from which unemployment benefits are paid, are funds that all of the principal and earnings can be spent. Nonexpendable trust funds, such as State Lands, are funds for which the principal cannot be spent, but the earnings on the principal can. The Public Employee Retirement System trust is the only pension trust fund in Oregon. The pension fund administers the retirement benefits held in trust for public employees. The agency funds are used to account for assets held in trust for other entities. An example of an agency fund is child support payments collected that will be turned over to the custodial parent.

Account Groups

Fixed assets or long-term debt associated with other than the non-expendable or pension trust or proprietary funds are reported in account groups. Account groups only account for values and balances and are not considered to be funds. Long-term debt at June 30, 1990 is \$1,224,138,000 as compared to \$263,591,000 at June 30, 1989, an increase of \$960,547,000. The large increase is due to an increase in the claim loss liability account. The claim loss liability at the Department of Insurance and Finance is recorded this year in the financial statements, in accordance with GAAP. The total governmental fixed assets reported at June 30, 1990 totaled \$832,794,000, which is an increase of \$116,801,000 over the prior year balance of \$715,993,000.

Debt Administration

To provide for the efficient coordination of bond issuance by the various State agencies, Oregon Revised Statutes give the State Treasurer authority to review and approve the terms and conditions of sale. Centralizing this authority encourages the bond issuing agencies to plan their offerings well in advance and work together to obtain the most favorable market reception. In addition, the uniform approach permits greater control of the State's overall debt position, allowing the Treasurer to address the interests and concerns of the financial community and rating agencies as well as those of the State agencies.

Oregon also has a Bond Committee comprised of representatives of agencies who issue bonded debt. The committee meets periodically to discuss issues regarding Oregon's bonded debt and determine how to best manage and serve the interests of Oregon State Agencies in the management of our financial programs.

Cash Management

The Oregon Revised Statutes provide for a system of checks and balances. Under the Statutes, the Executive Department supervises State agency accounting. In consultation with the Secretary of State and State Treasurer, the Executive Department prescribes rules and regulations for preparation of agency budgets, and makes and supervises allotments. The Secretary of State, as auditor of public accounts, may disapprove claims for payment from any moneys in the State Treasury.

All State moneys collected by State agencies are turned over to the State Treasurer, who is responsible for control of the cash and investment of State funds.

The State Treasurer pools all available cash into a general account called the Oregon Short-Term Fund from which investments are made in a variety of instruments. The average yield on these investments for fiscal year end June 30, 1990, was 8.6 percent. The State Treasurer also makes separate investments for a variety of funds.

The Cash Management Act of 1990 recently became federal law. The Act requires that the federal government advance cash to the States in a timely manner. Conversely the State must not draw cash in advance of need. In the coming months Oregon will be establishing procedures and methods in order to comply with the Act.

Risk Management

The Department of General Services provides property and tort insurance for all State agencies. It is responsible for the status of the Insurance Fund, the self-insurance programs, and for the administration, investigation, and settlement of claims against those funds. The Legislature has determined that the Insurance Fund must operate on an actuarially sound basis.

The State has just received the latest actuarial report for the 89-91 biennium. The losses for Worker's Compensation are expected to reach only \$55.4 million. This is far less than the first actuarial projection of \$137 to \$142 million for the same period of time. The reduction is a direct result of an aggressive safety campaign waged by the Department of General Services, Risk Management Division with the cooperation of agencies statewide. Future losses are expected to decrease even further as a result of safety awareness and improved claims management by the State.

Service Efforts and Accomplishments

Oregon is committed to providing the best service for the least dollars. The tightening of available resources has focused increased attention on the economy and efficiency of government. A way to measure government is to use performance indicators. Measuring past and current performance, and providing measures to monitor future performance, will enhance government operations. A major part of this effort will be providing measurements of accomplishments.

The Governmental Accounting Standards Board is conducting a research project that will culminate in required presentations of performance indicators. In the meantime they are strongly encouraging governmental organizations to begin presenting the performance measures in their current CAFRs.

Oregon agrees with the concept. Oregon has issued a publication entitled Oregon Benchmarks. The purpose of the document is to set measurable standards for progress. Provided are measurements ranging from literacy to air quality to public facilities and service. Adequate disclosure and accountability to the citizens of the State of Oregon should include measurements of government's performance. Accordingly, Oregon will work toward implementing reporting Service Efforts and Accomplishments in 1993.

Other Relevant Information

The Secretary of State, as State Auditor, audits the accounts and financial affairs of State agencies as authorized by ORS 297.210. An audit is also required at any time the executive head of an institution or department retires.

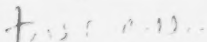
A copy of the report on each audit is submitted to the Governor, the Legislative Fiscal Officer, and the Executive Department. The report lists deficiencies in the financial statements, accounting records, or internal control procedures.

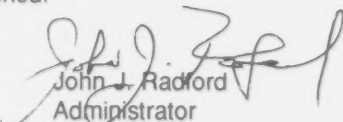
The State of Oregon implemented the Single Audit for the fiscal year ended June 30, 1984. The Single Audit encompasses all federal assistance received by the State. The Single Audit is a financial and compliance audit, conducted in accordance with Governmental Audit Standards as promulgated by the Comptroller General of the United States (GAO Audit Standards).

Acknowledgments

I want to express my sincere appreciation to the many individuals whose dedicated efforts made this report possible. The effort could not be accomplished without the dedicated services of the entire staff of the Accounting Division.

Thanks also to all the State agencies for their interest and support in planning and conducting the financial operations of Oregon in a professionally responsible and progressive manner. Without the participation and cooperation of the agency fiscal units this report could not be published.


Fred D. Miller
Director
Executive Department


John J. Radford
Administrator
Accounting Division

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ORGANIZATION OF STATE GOVERNMENT

General Organization

The government of the State of Oregon is comprised of three separate branches: Executive, Legislative, and Judicial. The Executive Branch, which administers State agencies and enforces State laws, is headed by six independently elected officials. These are the Governor, Secretary of State, State Treasurer, Attorney General, Labor Commissioner, and Superintendent of Public Instruction.

The Governor, Secretary of State, and State Treasurer, in addition to performing their individual duties, jointly form the Land Board. The three members of the Board have equal responsibilities and the Governor serves as chairperson.

The Attorney General, Superintendent of Public Instruction, and Labor Commissioner are elected to carry out the particular duties of their respective divisions.

The Executive Branch

The Governor is elected to a four-year term and is limited to serving two terms in any twelve-year period. Responsibilities of the Governor, in addition to chairing the Land Board, include planning and recommending a budget to the State Legislature, coordinating activities of State agencies and coordinating services of federal and local governments.

The Governor is empowered to call sessions of the Legislature and may veto single appropriation items bills or any clause in bills declaring an emergency. He appoints numerous agency heads, board and commission members, and other officials.

The Secretary of State is the auditor of public accounts in the State and is chief elections officer. As auditor, the Secretary of State conducts audits of municipal corporations and audits the accounts and financial affairs of State boards, commissions, departments, and institutions. The Secretary of State also edits, codifies, and publishes Administrative Rules, which supplement laws passed by the Legislature and prescribe the manner in which State agencies conduct their business.

The State Treasurer is responsible for all moneys paid into the State Treasury and, as the State's Investment Officer, invests trust and general funds. The Treasurer also receives and disburses State funds, has custody of securities deposited with the State, and oversees the issuing, paying of interest, and retiring of bonds. The Treasurer is a member of the Oregon Investment Council, the State Land Board, the Local Government Investment Board, the Municipal Debt Advisory Commission, the Public Contract Review Board, and the Oregon Mass Transportation Financing Authority.

The State Land Board was created by the 1967 Legislature to supervise administration of State-owned lands and public rights in submerged and submersible lands. Proceeds from the use of these lands are deposited as principal in the Common School Trust Fund. Interest from the Fund is paid to counties for school operation.

The Legislative Branch

Oregon's Legislative Branch is comprised of a bicameral legislative assembly and its permanent and temporary legislative committees. The Senate has thirty members elected to four-year terms with half elected every two years. The House of Representatives has sixty members, all elected every two years.

The Legislature convenes its regular session in January of each odd-numbered year. The next session is scheduled to begin on January 14, 1991. Session length is not prescribed by the Constitution, but it is usually of about six months' duration. The Legislature normally considers between 2,500 and 3,000 bills during a regular session and approximately 25 to 30 percent of these are enacted into law.

Special sessions of the Legislature may be called by the Governor or by a majority of each House to deal with emergency situations. Since 1970, the Legislature has held twelve special sessions which have lasted between one and 37 days. The Legislature has never exercised its right to call itself into special session.

The primary function of the Legislature is to enact laws, to provide a forum for public discussion, and to determine fiscal policy together with the Executive branch. Certain Executive decisions are subject to confirmation by the Legislature. In addition, since 1977, Oregon has had a "sunset" law under which certain agencies and programs are terminated unless their continuation is specifically approved by the Legislature.

The Oregon Constitution, Article IX, Section 6, provides that the State may not budget expenditures in excess of revenues. Therefore, the Legislative and Executive branches must provide a balanced budget. The Legislature reviews and revises the Governor's recommended budget and passes appropriation measures to provide revenues. Because the Legislature convenes biennially, the finances of the State are managed on a biennial basis. However, State law requires that the Executive Department prepare a financial report of State operations at the end of each fiscal year. The first such report was prepared as of June 30, 1979.

Of significant importance in the Legislative branch is the Emergency Board, a joint legislative committee created by statute. The seventeen-member Emergency Board consists of the President of the Senate, Speaker of the House of Representatives, Co-Chairpersons of the Joint Ways and Means Committee, six other Senate members and seven other House members. The Emergency Board, which may schedule its own meetings, usually meets about every six weeks during the interim period between regular sessions.

Where an emergency exists, the Emergency Board may allocate to any State agency moneys in addition to those allocated by the Legislature. These allocations are from funds appropriated to the Board for emergency use. The Board may take other actions to meet emergency interim needs, such as providing funding for an activity required by law, authorizing expenditures from dedicated or continuously appropriated funds, and approving funding for a new activity coming into existence at a time which would preclude submitting a budget to the Legislature.

In addition, the Legislature has a variety of statutory and interim committees that function throughout the biennium. Principal statutory committees include: Legislative Counsel Committee, Legislative Administration Committee, Legislative Audit Committee, Land Use Committee, Legislative Data Processing Committee, Legislative Trade and Economic Development Committee and the Legislative Revenue and School Finance Committee. Interim joint committees include the Judiciary Committee, Education Committee, Health Care Committee, Water Policy Committee, and the Environmental and Hazardous Materials Committee.

The Judicial Branch

The Judicial Branch consists of the Supreme Court, the Court of Appeals, the Tax Court, and Circuit and District Courts. The seven-justice Supreme Court was created and its jurisdiction defined by the Constitution. The Supreme Court has discretionary review of decisions of the Court of Appeals.

A five-judge Court of Appeals was created by the Legislature in 1969, expanded to six judges in 1973 and expanded to ten judges in 1977. The Court of Appeals has exclusive jurisdiction over all civil and criminal appeals from circuit and district courts and review of orders of State administrative agencies, Department of Corrections disciplinary actions, and Board of Parole orders.

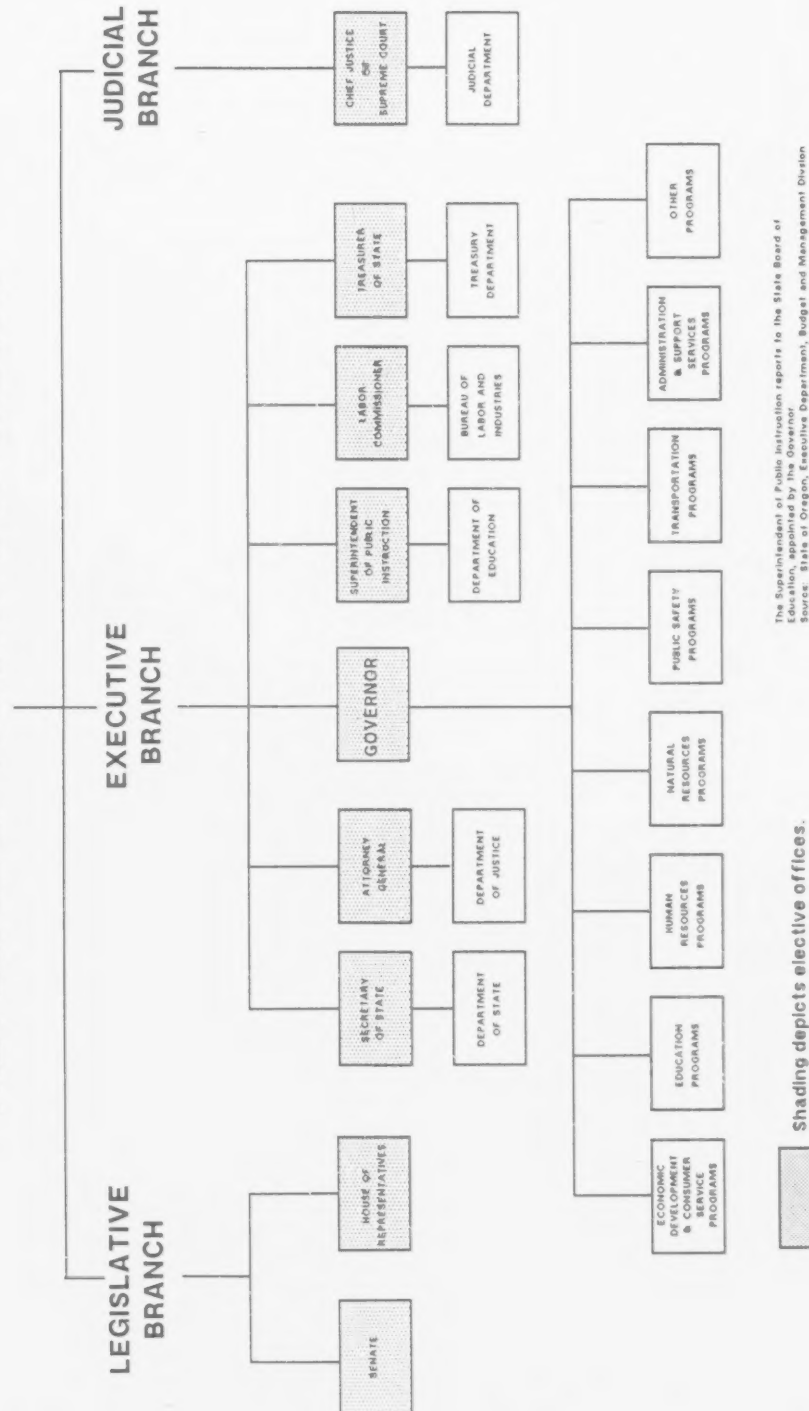
The one-judge Tax Court, created by the 1961 Legislature, has exclusive jurisdiction over tax-related matters. The Circuit Court is the State trial court of general jurisdiction, and the District Court is the trial court of limited jurisdiction.

All judges are elected to six-year terms on a non-partisan ballot. The Chief Justice exercises administrative authority over the courts of Oregon.

Exhibit 1 summarizes the organization of State government in Oregon.

Exhibit 1

STATE OF OREGON
ORGANIZATION OF GOVERNMENT
THE PEOPLE OF THE STATE OF OREGON



The Superintendent of Public Instruction reports to the State Board of Education, appointed by the Governor.
Source: State of Oregon, Executive Department, Budget and Management Division

Shading depicts elective offices.

STATE PROGRAM AREAS

Economic Development and Consumer Services

The rapid expansion of the Oregon economy since 1970 has resulted in increasing demands for a wide variety of public services related to consumer protection, business regulation and public safety in the commercial sector. These demands have been met through more effective operation of existing programs and through the consolidation of overlapping activities wherever possible. The common elements of the many State agencies in this program are the safety and protection of the Oregon public as consumers and producers, as employees and employers, and as savers and investors. In the area of economic development, a variety of local economic stimulation projects are intended to provide more job opportunities for Oregonians and to generally stimulate Oregon's economy. The Oregon Department of Economic Development is overseen by the Economic Development Commission and is active in international trade, port activities, industrial development incentive programs, and small business assistance.

Education

The education program area includes the Department of Education, the Department of Higher Education, and educational support agencies. The Department of Education, acting under the direction of the State Board of Education, exercises all administrative functions of the State relating to supervision, management and control of public, elementary and secondary schools and community colleges. The Department of Higher Education provides direct educational services through the State colleges and universities. The activities of both Departments are coordinated by the Office of Educational Policy and Planning.

The Legislature appropriates funds to be distributed to local school districts in support of basic educational programs.

Human Resources

Human resource agencies offer a variety of social services. Services offered include financial support to needy persons, medical care, protective services, and rehabilitation. Expenditures in these program areas continue to represent approximately 30% of the General Fund budget and 25% of the total State budget.

Natural Resources

The overall goal for the thirteen agencies in this program area is to conserve, develop, and protect the State's natural resources.

Public Safety

The overall goal for the public safety program area is a reduction in the amount of harm to individuals and damage to property caused by events of natural disasters, civil disorders, traffic accidents, criminal activities, and armed conflict. Other major objectives include improvement of criminal prosecution and consumer protection from fraudulent business practices.

Transportation

The transportation program area consists of the Department of Transportation and the Travel Information Council. The basic goal of the Department of Transportation is to provide the State with systems of transportation which are safe, are environmentally compatible and provide for orderly economic growth. The Travel Information Council develops and maintains a motorist information and highway logo program, designating facilities, businesses and historic or cultural features of interest to travelers.

Administration and Support Services

This program area includes those agencies which provide either executive leadership or administrative and planning support services to line agencies. The State's tax relief programs are included within this program area because they are administered by the Department of Revenue.

Legislative Branch

The Legislative Branch is comprised of the Legislative Assembly and the permanent and temporary legislative committees. The bicameral ninety member Oregon Legislative Assembly convenes in odd-numbered years in regular legislative session. Permanent statutorily established legislative committees provide special staff services to the Legislature. The Legislative Branch also includes the Emergency Board.

Judicial Branch

The judicial program area is comprised of the State supported portion of the Judicial Branch of government, including district oversight of district and circuit courts, to ensure due process of law through an effective judicial system for the State.

STATE BUDGETARY PROCESS

The Oregon budget is approved on a biennial basis by separate appropriation measures. Although the Governor recommends a budget, no omnibus budget measure is approved. Biennia begin July 1 and end June 30 of odd-numbered years. Measures are passed for the approaching biennium during each regular Legislative session, held beginning in January of odd-numbered years. However, the budgeting process begins several months prior to the beginning of a biennium.

The budgeting process begins with the development of a tentative budget as an internal document in the Executive Department. Expenditure estimates range from maintaining present spending to providing for growth of existing programs or expanding programs, all adjusted for inflation. Revenues in the tentative budget are also forecast in a range. Oregon law (ORS 291.208) requires each agency to submit budget requests to the Executive Department prior to September 1 of each even-numbered year. During the fall, these budget requests are reviewed and budget hearings are held by the Executive Department and the Governor.

The Governor's budget recommendations to the Legislature must be completed by early November in order to meet the December 1 statutory deadline for distribution of printed copies to the Legislature. Appropriation bills for each agency are prepared separately and filed during December so that when the Legislature convenes in January the Joint Ways and Means Committee can begin considering each bill.

Serving as staff to the Ways and Means Committee, the Legislative Fiscal Office analyzes each budget. Public hearings are held by Ways and Means subcommittees before the recommended budget bills are referred to the full Legislature for a final vote.

The Governor may veto any bill. In addition, the Governor may veto single items in appropriation bills, and any provision in new bills declaring an emergency without affecting any other provision of that bill. The Governor's veto may be overridden by a two-thirds vote of the Legislature.

Because the Oregon Legislature meets in regular session for approximately six months of each biennium, provision is made for interim funding through the Legislative Emergency Board. The Emergency Board is authorized to make allocations of General Fund moneys to State agencies from the State Emergency Fund. The Emergency Board may also authorize increases in expenditure limitations from Other or Federal Funds, (dedicated or continuously appropriated funds) and may take other actions to meet emergency needs when the Legislature is not in session.

The most significant feature of the budgeting process in Oregon is the constitutional requirement that the budget be in balance at the end of each biennium. Article IX, Section 6 of the Oregon Constitution States that "whenever the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year." Because of this provision, Oregon may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

The biennial budget used in Oregon makes it more difficult to accurately forecast revenues and expenditures than in an annual budget cycle. At the same time, a biennial period allows for correction in the event a revenue shortfall occurs.

PHIL KEISLING
SECRETARY OF STATE



AUDITS DIVISION
WILLIAM L. MILES
DIRECTOR
158-12TH STREET N.E.
SALEM, OREGON 97310
(503) 378-3329

Independent Auditor's Report

Honorable Barbara Roberts
Governor of Oregon
State Capitol Building
Salem, Oregon 97310

We have audited the accompanying general purpose financial statements of the State of Oregon, as of June 30, 1990, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Oregon, Executive Department. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Oregon as of June 30, 1990, and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 19 to the general purpose financial statements, the Department of General Services changed its method of valuing claim costs in fiscal year 1990.

Our audit was made solely for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary data consisting of the combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State of Oregon. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements. The supplementary data does not include individual fund comparisons at the level of budgetary control as required by generally accepted accounting principles for comprehensive annual financial reports. In our opinion, except for the effects of the omission, the supplementary data is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this report, designated as the introductory section and the statistical and economic information in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Phil Keisling

Secretary of State
and
Auditor of Public Accounts

William L. Miles

Certified Public Accountant
and Director
Division of Audits

March 15, 1991, except for Note 18.A.,
as to which the date is April 9, 1991

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**General Purpose
Financial Statements**

State of Oregon

COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS JUNE 30, 1990 (Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
<u>ASSETS AND OTHER DEBITS</u>						
Assets:						
Cash and Investments	\$164,675	\$ 599,954	\$93,889	\$26,840	\$2,424,718	\$205,282
Cash and Securities Held in Trust	-	6,416	-	-	14,238	-
Accounts Receivable	12,622	223,737	1,965	613	286,523	149,309
Interfund Receivables	212,614	63,448	-	4,802	18,424	68
Taxes Receivable	223,961	24,103	-	-	-	-
Inventories	14,513	38,205	-	-	25,973	4,480
Prepaid Items and Deferred Charges	44	93	-	-	15,496	1,371
Contracts, Mortgages, and Notes Receivable	-	183,971	171	-	4,287,399	-
Advances to Other Funds	148,065	887	-	-	10,657	-
Foreclosed and Deeded Property	-	-	-	-	12,152	-
Restricted Assets - Cash and Investments	-	-	-	-	686,769	-
Receivership Assets	-	-	-	-	-	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation/Amortization)	-	-	-	-	59,152	109,193
Other Debits:						
Amounts Available for Retirement of L-T Debt	-	-	-	-	-	-
Amounts to be Provided for Retirement of L-T Obligations	-	-	-	-	-	-
Total Assets and Other Debits	\$776,494	\$1,140,814	\$96,025	\$32,255	\$7,841,501	\$469,703
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>						
Liabilities:						
Accounts and Interest Payable	\$212,592	\$ 213,258	\$ 9	\$10,218	\$ 260,033	\$ 18,422
Interfund Payables	89,533	107,236	-	558	29,989	125,143
Due to Other Governments	4,107	76,658	-	-	16,191	-
Trust and Agency Funds Payable	-	7,936	26	-	-	-
Deferred Compensation Payable	-	-	-	-	-	-
Contract, Mortgages, and Notes Payable	-	-	-	-	112,953	5,106
Obligations Under Capital Lease	-	-	-	-	453	6,286
Advances from Other Funds	1,784	51,972	10	-	2,926	4,900
Bonds/COPs Payable	-	-	395	-	5,756,258	50,739
Deferred Revenue	148,776	101,973	-	-	119,838	5,913
Vacation Payable	5,485	6,626	-	2	8,347	2,568
Claim Loss Liability	-	-	-	-	1,135,895	59,577
Total Liabilities	462,277	565,659	440	10,778	7,442,883	278,654
Equity and Other Credits:						
Investment in Fixed Assets/Plant	-	-	-	-	-	-
Contributed Capital	-	-	-	-	16,117	88,901
Unrealized Gain on Investments	-	-	-	-	15,869	-
Retained Earnings - Reserved	-	-	-	-	54,440	-
Retained Earnings - Unreserved	-	-	-	-	312,192	102,148
Fund Balances:						
Reserved for Encumbrances	6,242	17,780	-	21,016	-	-
Reserved for Inventories	14,513	38,205	-	-	-	-
Reserved for Revolving Accounts	1	1,062	-	-	-	-
Reserved for Loans Receivable	-	99,654	171	-	-	-
Reserved for Advances to Other Funds	148,065	887	-	-	-	-
Reserved for Debt Service	-	37	95,414	-	-	-
Reserved for Trust Fund Principal	-	11	-	-	-	-
Reserved for Public Employees Retirement System	-	-	-	-	-	-
Reserved for Claim Loss Liability	-	182,958	-	-	-	-
Reserved - Other	44	93	-	-	-	-
Unreserved, Undesignated	145,352	234,468	-	461	-	-
Restricted	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total Equity and Other Credits	314,217	575,155	95,585	21,477	398,618	191,049
Total Liabilities, Equity and Other Credits	\$776,494	\$1,140,814	\$96,025	\$32,255	\$7,841,501	\$469,703

FIDUCIARY FUND TYPES TRUST AND AGENCY	COLLEGE AND UNIVERSITY FUNDS	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
		GEN. FIXED ASSETS	GEN. LONG- TERM DEBT	JUNE 30	
				1990	1989
\$14,051,000	\$253,122	\$ -	\$ -	\$17,819,480	\$15,286,981
1,002,281	-	-	-	1,022,935	940,966
1,150,173	77,129	-	-	1,902,071	948,733
62,202	35,041	-	-	396,599	820,930
107,978	-	-	-	356,042	328,451
70	9,922	-	-	93,163	83,493
1,308	9,104	-	-	27,416	18,569
89,727	74,121	-	-	4,635,389	4,972,768
-	-	-	-	159,609	76,649
-	-	-	-	12,152	23,329
-	-	-	-	686,769	807,162
91,109	-	-	-	91,109	70,295
11,731	1,163,784	832,794	-	2,176,654	1,923,605
-	-	-	277,991	277,991	104,563
-	-	-	946,147	946,147	159,028
\$16,567,579	\$1,622,223	\$832,794	\$1,224,138	\$30,603,526	\$26,565,522
\$ 902,856	\$ 33,575	\$ -	\$ -	\$ 1,650,963	\$ 817,353
43,991	142	-	-	396,592	820,930
20,437	1,056	-	-	118,449	96,770
2,354,107	10,321	-	-	2,372,390	2,069,956
141,802	-	-	-	141,802	118,100
340	375	-	10,977	129,751	161,599
-	4,081	-	-	10,820	857
95,000	2,652	-	-	159,244	76,650
-	275,269	-	212,175	6,294,836	6,425,840
27,440	19,035	-	-	422,975	286,137
331	19,378	-	27,767	70,504	62,930
-	-	-	973,219	2,168,691	1,190,716
3,586,304	365,884	-	1,224,138	13,937,017	12,127,838
-	883,353	832,794	-	1,716,147	1,539,110
-	-	-	-	105,018	63,649
-	-	-	-	15,869	14,291
-	-	-	-	54,440	-
-	-	-	-	414,340	329,842
-	-	-	-	45,038	-
-	-	-	-	52,718	44,350
-	-	-	-	1,063	1,059
-	-	-	-	99,825	100,088
-	-	-	-	148,952	54,141
-	-	-	-	95,451	100,197
224,606	-	-	-	224,617	172,600
11,766,941	-	-	-	11,766,941	10,353,718
-	-	-	-	182,958	-
-	-	-	-	137	110
989,728	-	-	-	1,370,009	1,329,226
-	162,152	-	-	162,152	144,318
-	210,834	-	-	210,834	190,985
12,981,275	1,256,339	832,794	-	16,666,509	14,437,684
\$16,567,579	\$1,622,223	\$832,794	\$1,224,138	\$30,603,526	\$26,565,522

The notes to the financial statements are an integral part of this report.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Revenues:</u>				
Taxes	\$2,225,123	\$ 559,075	\$ -	\$ -
Licenses and Fees	16,454	181,612	-	-
Federal	77	1,314,389	-	3,539
Charges for Services	2,829	68,254	-	2
Fines and Forfeitures	13,239	15,740	-	-
Rents and Royalties	148	4,212	-	-
Interest and Investment	35,737	35,631	8,144	2,409
Sales	2,437	51,677	-	822
Other	1,576	34,491	-	182
Total Revenues	2,297,620	2,265,081	8,144	6,954
<u>Expenditures:</u>				
Economic Development	24,486	258,281	-	-
Education	137,429	738,282	-	-
Human Resources	626,382	798,081	-	-
Natural Resources	35,434	129,716	-	-
Public Safety	74,185	27,858	-	-
Transportation	5,969	684,005	-	-
Administrative & Support Services	49,384	300,670	-	-
Legislative	14,028	1,897	-	-
Judicial	68,149	43,362	-	-
Capital Outlay	-	-	-	53,887
Debt Service	-	-	36,780	-
Total Expenditures	1,035,446	2,982,152	36,780	53,887
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,262,174	(717,071)	(28,636)	(46,933)
<u>Other Financing Sources (Uses):</u>				
Operating Transfers-in	28,990	1,007,426	19,688	37,868
Operating Transfers-out	(1,101,501)	(301,145)	(30)	(4)
Loan Repayments	5	20,591	4,196	-
Bond/COP Proceeds	-	6,750	-	-
Leases Incurred	1,549	4	-	-
Total Other Financing Sources (Uses)	(1,070,957)	733,626	23,854	37,864
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	191,217	16,555	(4,782)	(9,069)
Fund Balances - Beginning	158,891	543,064	104,563	30,645
Prior Period Adjustments	(4,045)	5,092	-	(17)
Fund Balances - Beginning - As Restated	154,846	548,156	104,563	30,628
Increase (Decrease) in Reserves:				
Inventories	1,802	6,566	-	-
Revolving Accounts	-	4	-	-
Loans Receivable	-	3,970	(4,196)	(38)
Advances to Other Funds	(406)	(34)	-	-
Trust Funds	-	11	-	-
Other	18	52	-	(44)
Residual Equity Transfers-in	-	212	-	-
Residual Equity Transfers-out	(33,260)	(337)	-	-
Fund Balances - Ending	\$314,217	\$575,155	\$ 95,585	\$21,477

FIDUCIARY EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)	
	FISCAL YEAR ENDED JUNE 30	
	1990	1989
\$370,092	\$3,154,290	\$2,720,616
20	198,086	172,799
8,619	1,326,624	1,209,196
6,609	77,694	66,343
-	28,979	26,070
-	4,360	2,852
72,587	154,508	153,673
-	54,936	48,093
3,206	39,455	42,595
461,133	5,038,932	4,442,237
6,628	289,395	262,000
1,002	876,713	791,800
234,836	1,659,299	1,464,283
547	165,697	167,696
-	102,043	65,528
41	690,015	598,967
11	350,065	337,211
-	15,925	21,531
-	111,511	103,678
-	53,887	20,984
-	36,780	36,377
243,065	4,351,330	3,890,055
218,068	687,602	552,182
5,725	1,099,697	1,026,875
(19,301)	(1,421,981)	(1,279,954)
74	24,866	16,573
-	6,750	43
-	1,553	4,260
(13,502)	(289,115)	(232,203)
204,566	398,487	319,979
786,011	1,623,174	1,361,582
12,064	13,094	(27,021)
798,075	1,636,268	1,334,561
-	8,368	(59)
-	4	(152)
-	(264)	5,951
-	(440)	(2,748)
-	11	-
-	26	29
11,137	11,349	27
(403)	(34,000)	(34,414)
\$1,013,375	\$2,019,809	\$1,623,174

The notes to the financial statements are an integral part of this report.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL -
GENERAL, SPECIAL REVENUE, DEBT SERVICE, AND CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	1989-91 BUDGET	GENERAL FUND 1ST YEAR ACTUALS	2ND YEAR BALANCE
<u>Revenues:</u>			
Taxes	\$4,280,328	\$2,070,886	\$2,209,442
Licenses and Fees	30,121	16,484	13,637
Federal	-	77	(77)
Charges for Services	6,112	2,829	3,283
Fines and Forfeitures	28,932	13,220	15,712
Rents and Royalties	-	148	(148)
Interest and Investment	50,760	35,737	15,023
Sales	3,167	2,436	731
Other	9,201	2,328	6,873
Total Revenues	4,408,621	2,144,145	2,264,476
<u>Expenditures:</u>			
Economic Development	124,771	99,698	25,073
Education	1,492,342	1,064,004	428,338
Human Resources	1,440,019	775,303	664,716
Natural Resources	87,448	40,094	47,354
Public Safety	142,836	74,937	67,899
Transportation	12,771	5,969	6,802
Administrative & Support Services	282,407	126,135	156,272
Legislative	91,207	14,200	77,007
Judicial	204,458	101,490	102,968
Capital Outlay	-	-	-
Debt Service	-	-	-
Total Expenditures	3,878,259	2,301,830	1,576,429
Excess (Deficiency) of Revenues Over (Under) Expenditures	530,362	(157,685)	688,047
<u>Other Financing Sources (Uses):</u>			
Operating Transfers-in	58,023	28,990	29,033
Operating Transfers-out	(708,428)	(354,024)	(354,404)
Transfers-out - Other	-	-	-
Transfers to Cities and Counties	-	-	-
Loan Repayments	-	5	(5)
Bond Proceeds	-	-	-
Loan Proceeds	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (120,043)	(482,714)	\$ 362,671
Fund Balances - Beginning		158,891	
Transactions Recorded During the Year But Charged to Prior Biennia:			
Revenues		(8,695)	
Expenditures		682	
Activity not Subject to Budgetary Guidelines:			
Revenues		-	
Expenditures		-	
Increase (Decrease) in Reserves:			
Inventories		1,802	
Revolving Accounts		-	
Loans Receivable		-	
Advances to Other Funds		(406)	
Trust Funds		-	
Other		18	
GAAP Reclassification of Fund Equity		681,944	
Prior Period Adjustments		(4,045)	
Residual Equity Transfers-in		-	
Residual Equity Transfers-out		(33,260)	
Fund Balances - Ending		\$ 314,217	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
1989-91 BUDGET	1ST YEAR ACTUALS	2ND YEAR BALANCE	1989-91 BUDGET	1ST YEAR ACTUALS	2ND YEAR BALANCE	1989-91 BUDGET	1ST YEAR ACTUALS	2ND YEAR BALANCE
\$ 977,475	\$ 492,432	\$ 485,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
365,511	176,074	189,437	-	-	-	-	-	-
2,393,341	1,128,991	1,264,350	-	-	-	25,172	2,729	22,443
116,869	65,386	51,483	-	-	-	149	58	91
2,910	4,699	(1,789)	-	-	-	-	-	-
8,871	4,204	4,667	-	-	-	-	-	-
42,234	23,552	18,682	-	-	-	579	4,981	(4,402)
93,468	46,842	46,626	-	-	-	4,245	823	3,422
69,479	30,701	38,778	-	-	-	68	4	64
4,070,158	1,972,881	2,097,277	-	-	-	30,213	8,595	21,618
398,383	169,072	229,311	-	-	-	-	-	-
327,390	154,482	172,908	-	-	-	-	-	-
1,734,343	806,384	927,959	-	-	-	-	-	-
297,356	114,259	183,097	-	-	-	-	-	-
52,047	21,692	30,355	-	-	-	-	-	-
1,096,268	538,511	557,757	-	-	-	-	-	-
58,151	21,032	37,119	-	-	-	-	-	-
2,090	578	1,512	-	-	-	-	-	-
370	54	316	-	-	-	-	-	-
-	-	-	-	-	-	263,747	57,994	205,753
-	-	-	5,858	3,224	2,634	-	-	-
3,966,398	1,826,064	2,140,334	5,858	3,224	2,634	263,747	57,994	205,753
103,760	146,817	(43,057)	(5,858)	(3,224)	(2,634)	(233,534)	(49,399)	(184,135)
1,798,467	730,600	1,067,867	5,858	3,112	2,746	95,724	44,195	51,529
(1,507,451)	(631,858)	(875,593)	-	-	-	(822)	(446)	(376)
(141,775)	(64,063)	(77,712)	-	-	-	-	-	-
(417,181)	(215,059)	(202,122)	-	-	-	-	-	-
22,908	15,172	7,736	-	-	-	-	-	-
-	3,010	(3,010)	-	-	-	92,630	42,140	50,490
3,945	4,350	(405)	-	-	-	1,186	-	1,186
<u>\$ (137,327)</u>	<u>(11,031)</u>	<u>\$ (126,296)</u>	<u>\$ -</u>	<u>(112)</u>	<u>\$ 112</u>	<u>\$ (44,816)</u>	<u>36,490</u>	<u>\$ (81,306)</u>
	543,064			104,563			30,645	
	(12,365)			376			22,813	
	11,000			-			(21,441)	
	945,930			28,510			34	
	(916,615)			(33,561)			(34)	
	6,566			-			-	
	4			-			-	
	3,970			(4,196)			(38)	
	(34)			-			-	
	11			-			-	
	52			-			(44)	
	(364)			5			(46,931)	
	5,092			-			(17)	
	212			-			-	
	(337)			-			-	
<u>\$ 575,155</u>			<u>\$ 95,585</u>			<u>\$ 21,477</u>		

The notes to the financial statements are an integral part of this report.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>	
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>PENSION TRUST</u>	<u>NONEXPENDABLE TRUST</u>
<u>Operating Revenues:</u>				
Taxes	\$ 10,797	\$ -	\$ -	\$ -
Licenses and Fees	4,180	945	-	190
Federal	379	10	-	20
Charges for Services	423,363	181,474	-	160
Fines and Forfeitures	4,195	30	-	15
Rents and Royalties	2,097	10,336	43	1,430
Interest and Investment	506,457	-	1,276,409	19,996
Sales	319,597	15,805	-	20,045
Contributions	-	-	615,713	-
Other	3,592	1,159	116	1,405
Gain (Loss) on Foreclosed Property (Net of Applicable Acquisition/Sale Costs)	4,276	-	-	-
Gain (Loss) on Sale of Investments	9,082	-	-	-
Fees Waived	(90,662)	-	-	-
Total Operating Revenues	1,197,353	209,759	1,892,281	43,261
<u>Operating Expenses:</u>				
Salaries and Wages	213,139	55,030	4,071	3,884
Services and Supplies	109,287	79,314	41,396	2,749
Cost of Sales	79,660	10,380	-	-
Special Payments	318,596	176	-	357
Interest	446,203	-	-	-
Benefit Payments	-	-	422,293	-
Distribution to Governments	17,600	-	-	13,671
Depreciation and Amortization	8,345	14,796	190	59
Bad Debt	12,969	-	-	223
Total Operating Expenses	1,205,799	159,696	467,950	20,943
Operating Income (Loss)	(8,446)	50,063	1,424,331	22,318
<u>Nonoperating Revenues (Expenses):</u>				
Interest Revenue	112,211	13,257	-	-
Interest Expense	(435)	(3,451)	-	-
Gain (Loss) on Disposition of Equipment	(130)	(510)	-	(49)
Total Nonoperating Revenues (Expenses)	111,646	9,296	-	(49)
Income Before Operating Transfers-in(out)	103,200	59,359	1,424,331	22,269
Operating Transfers-in	62,834	1,788	8	5,151
Operating Transfers-out	(93,679)	(2,075)	-	(5,482)
Net Income (Loss) Before Extraordinary Items and Accounting Change	72,355	59,072	1,424,339	21,938
Extraordinary Gain (Loss)	(453)	-	-	-
Cumulative Effect of Accounting Change	-	13,852	-	-
Net Income (Loss)	71,902	72,924	1,424,339	21,938
Fund Equity - Beginning	322,534	85,248	10,353,718	178,597
Prior Period Adjustments	1,232	(464)	-	6
Fund Equity - Beginning - As Restated	323,766	84,784	10,353,718	178,603
Unrealized Gain on Investments	1,578	-	-	-
Residual Equity Transfers-in	1,388	33,463	-	418
Residual Equity Transfers-out	(16)	(122)	(11,116)	-
Fund Equity - Ending	\$ 398,618	\$191,049	\$11,766,941	\$200,959

TOTALS (MEMORANDUM ONLY)

FISCAL YEAR ENDED JUNE 30

<u>1990</u>	<u>1989</u>
\$ 10,797	\$ 10,861
5,315	4,262
409	335
604,997	552,048
4,240	1,949
13,906	13,912
1,802,862	1,688,363
355,447	341,613
615,713	533,374
6,272	8,445
4,276	4,949
9,082	2,557
(90,662)	(73,702)
<u>3,342,654</u>	<u>3,088,966</u>
276,124	244,231
232,746	243,481
90,040	93,081
319,129	378,266
446,203	458,700
422,293	352,861
31,271	33,134
23,390	19,181
13,192	20,600
<u>1,854,388</u>	<u>1,843,535</u>
<u>1,488,266</u>	<u>1,245,431</u>
125,468	111,042
(3,886)	(818)
(689)	(290)
<u>120,893</u>	<u>109,934</u>
1,609,159	1,355,365
69,781	126,091
(101,236)	(188,117)
1,577,704	1,293,339
(453)	(12,448)
13,852	-
<u>1,591,103</u>	<u>1,280,891</u>
10,940,097	9,611,395
774	4,882
<u>10,940,871</u>	<u>9,616,277</u>
1,578	4,308
35,269	38,783
(11,254)	(162)
<u>\$12,557,567</u>	<u>\$10,940,097</u>

The notes to the financial statements are an integral part of this report.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>	<u>FISCAL YEAR ENDED</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>NONEXPENDABLE TRUST</u>	<u>JUNE 30 1990</u>
Operating Income (Loss)	\$ (8,446)	\$ 50,063	\$ 22,318	\$ 63,935
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	7,697	14,797	59	22,553
Amortization of Bond Premium and Discount	(347)	33	-	(314)
Amortization of Investment Premium and Discount	(7,674)	-	-	(7,674)
Amortization of Deferred Charges	1,059	625	-	1,684
Bad Debt Expense	10,110	-	-	10,110
Residual Equity Transfers	898	33,055	403	34,356
Gain (Loss) on Sale of Investments	(9,242)	-	-	(9,242)
Gain (Loss) - Other	30	-	-	30
Interest Income - Difference between Cash and Accrual Basis	2,268	-	-	2,268
Accreted Interest on Bonds Payable	4,506	-	-	4,506
Negotiated Loan Discount	100	-	-	100
Cumulative Effect of Accounting Change	-	13,852	-	13,852
Prior Period Adjustments Affecting Operating Income	1,391	(62)	22	1,351
Interest Received on Investments Reported as Operating Income/(Loss)	(120,709)	-	(15,707)	(136,416)
Interest Payments Reported as Operating Income/(Loss)	332,376	-	-	332,376
Deferred Charges Reported as Loss on Bond Call	(453)	-	-	(453)
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	36,470	(14,727)	1,574	23,317
(Increase)/Decrease in Interfund Receivables	(5,138)	5,234	62	158
(Increase)/Decrease in Inventories	(642)	(109)	(3)	(754)
(Increase)/Decrease in Prepaid Expenses	(115)	(11)	-	(126)
(Increase)/Decrease in Foreclosed Property	11,176	-	-	11,176
(Increase)/Decrease in Securities Held in Trust	(8,230)	-	(393)	(8,623)
(Increase)/Decrease in Contracts, Mortgages and Notes Receivable	283,069	-	-	283,069
(Increase)/Decrease in Deferred Charges	(2,119)	-	-	(2,119)
Increase/(Decrease) in Accounts and Interest Payable	52,670	(6,879)	93	45,884
Increase/(Decrease) Interfund Payables	(6,749)	12,519	(15)	5,755
Increase/(Decrease) in Due to Other Governments	(10,309)	-	216	(10,093)
Increase/(Decrease) in Trust Funds Payable	-	-	3,427	3,427
Increase/(Decrease) in Claim Loss Liability	14,942	(8,887)	-	6,055
Increase/(Decrease) in Matured Bonds Payable	240	-	-	240
Increase/(Decrease) in Vacation Payable	609	52	1	662
Increase/(Decrease) in Deferred Revenue	47,755	5,807	(13)	53,549
Increase/(Decrease) in Contracts, Mortgages, and Notes Payable	7,440	-	-	7,440
Increase/(Decrease) in Advances From Other Funds	(3,639)	-	-	(3,639)
Total Adjustments	639,440	55,299	(10,274)	684,465
Net Cash Provided/(Used) in Operating Activities	630,994	105,362	12,044	748,400

Continued

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

Continued

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>	<u>FISCAL YEAR ENDED</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>NONEXPENDABLE TRUST</u>	<u>JUNE 30 1990</u>
Cash Flows From Noncapital Financing Activities:				
Proceeds from Bond/COP Sales	182,767	-	-	182,767
Principal Payments on Bonds/COPs	(302,832)	-	-	(302,832)
Interest Payments on Bonds/COPs	(332,376)	-	-	(332,376)
Repayment of Notes and Advances	(135,085)	(125)	-	(135,210)
Collections on Notes	-	136	-	136
Interest Payments	-	(337)	-	(337)
Operating Transfers-in	63,513	1,788	5,151	70,452
Operating Transfers-out	(94,028)	(2,075)	(5,482)	(101,585)
Advances from Other Funds	352	-	-	352
Collections on Advances to Other Funds	11,474	-	-	11,474
Prior Period Adjustment	(151)	-	-	(151)
Bond Issue Costs	(1,308)	-	-	(1,308)
Unamortized Remarketing Fees	(5,601)	-	-	(5,601)
Net Cash Provided/(Used) in Noncapital Financing Activities	(613,275)	(613)	(331)	(614,219)
Cash Flows From Capital and Related Financing Activities:				
Proceeds From Bond/COP Sales	-	45,338	-	45,338
Principal Payments on Bonds/COPs	-	(1,494)	-	(1,494)
Interest Payments on Bonds/COPs	(625)	(3,077)	-	(3,702)
Deferred Expenditures Paid on COPs	-	(672)	-	(672)
Acquisition of Capital Assets	(5,760)	(26,794)	(4,618)	(37,172)
Payments of Capital Leases	-	(3,400)	-	(3,400)
Payments on Contract	-	(316)	-	(316)
Purchased Interest	-	(1,182)	-	(1,182)
Proceeds From Disposition of Capital Assets	66	1,837	-	1,903
Payments on Capital Leases	(179)	-	-	(179)
Net Cash Provided/(Used) in Capital and Related Financing Activities	(6,498)	10,240	(4,618)	(876)
Cash Flows From Investing Activities:				
Purchases of Investments	(5,796,489)	(79,709)	(55,853)	(5,932,051)
Proceeds From Sales and Maturities of Investments	5,787,579	5,172	56,088	5,848,839
Change in Definition of Cash Equivalents	6,003	-	-	6,003
Purchased Interest Received	-	788	-	788
Amortization of Investment Premiums	-	8	-	8
Return of Trust Securities	-	10	-	10
Interest on Investments and Cash Balances	236,468	13,203	15,707	265,378
Net Cash Provided/(Used) in Investing Activities	233,561	(60,528)	15,942	188,975
Net Increase/(Decrease) in Cash	244,782	54,461	23,037	322,280
Cash Balance at June 30, 1989	672,425	53,971	30,095	756,491
Cash Balance at June 30, 1990	\$ 917,207	\$108,432	\$ 53,132	\$1,078,771

The notes to the financial statements are an integral part of this report.

**COMBINED STATEMENT OF CHANGES IN FUND BALANCES -
ALL COLLEGE AND UNIVERSITY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	<u>CURRENT FUNDS</u>		<u>LOAN FUND</u>	<u>ENDOWMENT FUNDS</u>
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>		
<u>Revenues and Other Additions:</u>				
Revenue	\$316,984	\$ 40,130	\$ -	\$ -
Gifts, Grants & Contracts	33,354	198,060	-	2,029
Student Building Fees & Other Resources	-	-	-	-
Sale of Building Bonds	-	-	-	-
Contributions to Loan Principal	-	-	1,322	-
Property, Plant & Equipment	-	-	-	-
Interest, Investments & Other Revenue	-	5,880	2,240	214
Auxiliary Enterprises:				
Residence & Dining Halls	29,247	-	-	-
Cafeterias & Snack Bars	6,135	-	-	-
Student Center	7,764	-	-	-
Bookstore	6,400	-	-	-
Other Housing & Rental Operations	3,757	-	-	-
Parking	5,173	-	-	-
Other Student Auxiliary Enterprises	20,525	-	-	-
Faculty & Staff Auxiliaries	1,304	-	-	-
Intercollegiate Athletics	19,107	-	-	-
Total Additions	449,750	244,070	3,562	2,243
<u>Expenditures and Other Deductions:</u>				
Expenditures	667,692	210,212	-	-
Indirect Costs	-	27,445	-	-
Retirement of Bonds	-	-	-	-
Bond Interest	-	-	-	-
Change in Contracts, Notes & Bonds Payable	-	-	-	-
Trustee & Agent Fees & Other Deductions	-	-	-	-
Refunds to Grantors	-	63	-	-
Administrative Fees	-	-	108	-
Notes Issued, Charged Off & Cancelled	-	-	1,399	-
Auxiliary Enterprises:				
Residence & Dining Halls	25,686	-	-	-
Cafeterias & Snack Bars	6,148	-	-	-
Student Center	9,291	-	-	-
Bookstore	6,204	-	-	-
Other Housing & Rental Operations	2,122	-	-	-
Parking	3,020	-	-	-
Other Student Auxiliary Enterprises	16,094	-	-	-
Faculty & Staff Auxiliaries	1,108	-	-	-
Intercollegiate Athletics	22,609	-	-	-
Total Deductions	759,974	237,720	1,507	-
<u>Transfers:</u>				
Transfers Among Higher Education Funds:				
Nonmandatory Transfers-in	3,665	956	190	2,939
Nonmandatory Transfers-out	(14,000)	(4,112)	(69)	(815)
Operating Transfers-in	318,174	5,596	-	-
Operating Transfers-out	-	(130)	-	-
Total Transfers-in/(out)	307,839	2,310	121	2,124
Net Increase (Decrease) For The Year	(2,385)	8,660	2,176	4,367
Fund Balances - Beginning	70,421	20,680	76,460	45,593
Prior Period Adjustments	-	-	-	-
Fund Balances - Beginning - As Restated	70,421	20,680	76,460	45,593
Fund Balances - Ending	\$ 68,036	\$29,340	\$78,636	\$49,960

PLANT FUNDS				TOTALS (MEMORANDUM ONLY)	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	FISCAL YEAR ENDED JUNE 30	
				1990	1989
\$ -	\$ -	\$18,169	\$ -	\$ 375,283	\$ 367,869
12,952	-	-	-	246,395	194,172
9,050	4,757	-	-	13,807	31,728
60,251	-	-	-	60,251	26,370
-	-	-	-	1,322	1,318
-	-	-	120,042	120,042	63,049
228	-	-	-	8,562	15,770
-	-	-	-	29,247	27,179
-	-	-	-	6,135	5,106
-	-	-	-	7,764	6,884
-	-	-	-	6,400	5,838
-	-	-	-	3,757	3,371
-	-	-	-	5,173	4,926
-	-	-	-	20,525	19,871
-	-	-	-	1,304	1,197
-	-	-	-	19,107	16,335
82,481	4,757	18,169	120,042	925,074	790,983
91,785	6,907	-	-	976,596	869,298
-	-	-	-	27,445	25,102
-	-	11,388	-	11,388	11,338
-	-	13,009	-	13,009	11,241
-	-	-	59,806	59,806	42,616
-	-	38	-	38	-
-	-	-	-	63	708
-	-	-	-	108	235
-	-	-	-	1,399	910
-	-	-	-	25,686	23,272
-	-	-	-	6,148	5,075
-	-	-	-	9,291	8,487
-	-	-	-	6,204	5,358
-	-	-	-	2,122	2,060
-	-	-	-	3,020	2,579
-	-	-	-	16,094	14,717
-	-	-	-	1,108	998
-	-	-	-	22,609	20,058
91,785	6,907	24,435	59,806	1,182,134	1,044,052
44,507	3,498	17,691	-	73,446	15,224
(43,008)	(541)	(10,901)	-	(73,446)	(15,224)
25,849	-	5,490	-	355,109	316,644
-	-	-	-	(130)	(40)
27,348	2,957	12,280	-	354,979	316,604
18,044	807	6,014	60,236	97,919	63,535
60,928	20,596	40,625	823,117	1,158,420	1,053,034
-	-	-	-	-	41,851
60,928	20,596	40,625	823,117	1,158,420	1,094,885
\$78,972	\$21,403	\$46,639	\$883,353	\$1,256,339	\$1,158,420

The notes to the financial statements are an integral part of this report.

State of Oregon

**COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,
AND OTHER CHANGES - COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	<u>CURRENT FUNDS</u>		<u>TOTALS (MEMORANDUM ONLY)</u>	
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>FISCAL YEAR ENDED JUNE 30</u> <u>1990</u>	<u>1989</u>
<u>Revenues:</u>				
Student Tuition and Fees	\$125,861	\$ -	\$125,861	\$115,998
Gifts, Grants and Contracts	33,354	198,060	231,414	192,000
Separately Funded Research Center	2,529	-	2,529	2,548
Sales and Services of Educational Department	20,339	-	20,339	19,213
Student Aid	-	40,130	40,130	39,510
Sales and Services of Hospitals	160,459	-	160,459	137,782
Residence and Dining Halls	29,247	-	29,247	27,179
Cafeterias and Snack Bars	6,135	-	6,135	5,106
Student Center	7,764	-	7,764	6,884
Bookstore	6,400	-	6,400	5,838
Other Housing and Rental Operations	3,757	-	3,757	3,371
Parking	5,173	-	5,173	4,926
Other Student Auxiliary Enterprises	20,525	-	20,525	19,871
Faculty & Staff Auxiliaries	1,304	-	1,304	1,197
Intercollegiate Athletics	19,107	-	19,107	16,335
Other	7,796	5,880	13,676	21,800
Total Revenues	449,750	244,070	693,820	619,558
<u>Expenditures:</u>				
Instruction	232,959	21,444	254,403	236,082
Public Service	31,902	32,110	64,012	58,454
Research	32,277	101,880	134,157	122,074
Academic Support	58,507	4,920	63,427	56,877
Student Services	21,866	2,884	24,750	21,933
Operation and Maintenance of Physical Plant	39,552	362	39,914	34,837
Capital Improvements	4,727	-	4,727	6,350
Institutional Support	59,164	3,239	62,403	54,467
Student Aid	2,458	40,130	42,588	39,545
Service Departments	5,536	-	5,536	1,333
Hospitals and Clinics	177,806	3,243	181,049	158,440
Residence and Dining Halls	25,686	-	25,686	23,272
Cafeterias and Snack Bars	6,148	-	6,148	5,075
Student Center	9,291	-	9,291	8,487
Bookstore	6,204	-	6,204	5,358
Other Housing and Rental Operations	2,122	-	2,122	2,060
Parking	3,020	-	3,020	2,579
Other Student Auxiliary Enterprises	16,094	-	16,094	14,717
Faculty and Staff Auxiliaries	1,108	-	1,108	998
Intercollegiate Athletics	22,609	-	22,609	20,058
Other	938	27,508	28,446	29,649
Total Expenditures	759,974	237,720	997,694	902,645
<u>Transfers:</u>				
Transfers Among Higher Education Funds:				
Nonmandatory Transfers-in	3,665	956	4,621	-
Nonmandatory Transfers-out	(14,000)	(4,112)	(18,112)	(11,571)
Operating Transfers-in	318,174	5,596	323,770	300,458
Operating Transfers-out	-	(130)	(130)	(40)
Total Transfers Among Funds	307,839	2,310	310,149	288,847
Net Increase (Decrease) in Fund Balances	(\$2,385)	\$8,660	\$6,275	\$5,760

The notes to the financial statements are an integral part of this report.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Reporting Entity
- B. Basis of Presentation
- C. Fund Structure
- D. Basis of Accounting for Funds
- E. Budgets
- F. Cash and Investments
- G. Receivables
- H. Short-Term Interfund Receivables/Payables
- I. Advances to Other Funds
- J. Inventories
- K. Prepaid Expenses and Deferred Charges
- L. Foreclosed and Deeded Properties
- M. Restricted Assets
- N. Receivables Assets
- O. Fixed Assets
- P. Claim Loss Liability
- Q. Vacation Payable
- R. Deferred Revenue
- S. Interfund Transactions
- T. Bond Discounts
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

For financial reporting purposes the State of Oregon has considered all potential component units and has included all funds, account groups, agencies, boards, commissions, authorities, and colleges and universities, over which the State's executive, legislative, and judicial branches exercise oversight responsibility. Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards sets forth several criteria to be considered in establishing oversight responsibility. These criteria include: selection of governing authority, designation of management, the ability of the State to significantly influence operations, financial interdependency, and accountability for fiscal matters. Based on these criteria, the following is a brief review of the entities that are included in the accompanying financial statements:

- All functions, programs, and activities that are controlled by or dependent upon the legislative or executive branch of the State of Oregon are included in this report.
- The State Court system includes all county district and circuit courts. The State exercises oversight responsibility and the courts are financially interdependent on the State. The financial activity is reported in governmental funds.
- State Accident Insurance Fund (SAIF) Corporation is a public corporation which provides workers' compensation insurance and is financed through member (employer) premiums. It is a component unit of the State of Oregon and is accounted for in the Enterprise Funds.
- The Public Employees' Retirement Board administers pension funds for various employee retirement systems of the State and its political subdivisions. The Governor appoints the Board and the administrative expenses of the Board are subject to legislative budget controls. The financial activity of the Board is reported in the Pension Trust Fund.
- The Board of Higher Education has oversight responsibility for the University of Oregon, Oregon State University, Portland State University, Western Oregon State College, Southern Oregon State College, Eastern Oregon State College, Oregon Health Sciences University, and the Oregon Institute of Technology. Their financial activity is included in College and University Funds.
- Commodity commissions were originally established for the purpose of expanding the markets for specific commodities. The Department of Agriculture, a state agency, has general supervisory authority over the commodity commissions. The financial activity of these commissions is immaterial to the State and has not been included in this report.

Several organizations are interrelated to the State but do not meet the criteria to be included in the State's reporting entity. Accordingly, their financial activity is not included in this report. These are:

- The Oregon State Bar since management is not designated by the State and there is no financial interdependency.
- Higher Education foundations and the Oregon Public Broadcasting Foundation since the boards are not appointed by the State and there is no financial interdependency.

- Industrial development revenue bonds issued by the Economic Development Department and revenue bonds issued by the Housing, Education and Cultural Facilities Authority. Since they are considered no-commitment long-term debt, the financial transactions relative to the bond activity are not included in this report.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The financial statements for the College and University Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the National Association of College and University Business Officers (NACUBO) and are presented in a separate column of the financial statements as a discrete activity.

State government is operated based on fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording assets, liabilities, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

C. Fund Structure

The accompanying financial statements are presented in four classifications of funds and two account groups. The fund classifications include governmental funds, proprietary funds, fiduciary funds, and the college and university fund. Account groups are presented for general fixed assets and general long-term debt. The fund classifications and a description of each existing fund type and account group follow:

• Governmental Funds

Transactions related to the acquisition, use and balances of the State's expendable financial resources received and used for those services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in governmental funds. Governmental funds include:

- **General Fund**--Accounts for ordinary operations financed by legislatively approved appropriations from general revenues and used for general governmental purposes. General Fund appropriations for debt service, capital construction projects, and colleges and universities are reported in the Debt Service Funds, the Capital Project Funds, and College and University Funds, respectively.
- **Special Revenue Funds**--Account for the proceeds of specific revenue sources or finance specified activities as required by law or administrative regulations. Special Revenue Funds are established to account for taxes, licenses, and other revenue allocated by law to specific general governmental purposes. These revenues are collected by an agency and either transferred to another agency to be expended for a specific purpose, or the revenues are expended by the collecting agency.
- **Debt Service Funds**--Account for the accumulation of resources for, and the payment of interest and principal on general governmental obligations that are included in the General Long-Term Debt Account Group. They include debt service provided by General Fund appropriations.
- **Capital Project Funds**--Account for financial resources segregated for the construction or acquisition of major capital facilities other than those financed by proprietary type funds and the College and University Funds. A Capital Projects Fund is established upon project or debt issue authorization by the Legislature. All expenditures necessary to bring the facility to a state of

readiness for its intended purpose are reported as Capital Project Fund costs. The fund is accounted for separately to meet budgetary requirements even though a proprietary type fund may own the assets. At June 30, the activity is capitalized in the General Fixed Assets Account Group or the appropriate proprietary type fund. Partially completed projects are included in the Construction in Process account. Upon completion of a project, the buildings, or other structures are recorded at cost.

- **Proprietary Funds**

Transactions related to commercial activities operated by the state are accounted for in proprietary funds. Proprietary funds include:

- **Enterprise Funds**--Account for the provision of goods and services to the general public where all or most of the costs involved are primarily paid in the form of charges to the users of such services. Among the many types of self-supporting activities financed through Enterprise Funds are insurance operations, fair operations, and liquor retailing operations. Issuance of revenue bonds to finance the activity is also indicative of the self-supporting nature of an activity accounted for through Enterprise Funds.
- **Internal Service Funds**--Account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local. Activities handled through Internal Service Funds vary widely both as to type and complexity of operation. Among the types are those used to acquire and distribute items of inventory such as office supplies or gasoline; operation of motor pools; and duplicating and printing facilities. Other examples are purchasing, accounting, auditing, legal, and data processing services.

- **Fiduciary Funds**

Transactions related to assets held in a trust or agency capacity by the state are accounted for in fiduciary funds. The State's fiduciary funds include:

- **Pension Trust Fund**--Accounts for the transactions of the State administered retirement system (see Note 5).
- **Nonexpendable Trust Fund**--Accounts for the transactions, assets, liabilities, and fund equity of the Common School Fund administered by the State Land Board. The fund's principal is nonexpendable whereas the earnings on the principal are used to support education in the State. There are other miscellaneous small deposits held in a trustee capacity accounted for in this fund.
- **Expendable Trust Funds**--Account for assets received and expended by the State as trustee for Unemployment Compensation and other miscellaneous small deposits held in a trustee capacity.
- **Agency Funds**--Account for assets held by the State as an agent for other governmental units, other organizations, or individuals. Assets of the Deferred Compensation program and the Local Government Investment Pool are accounted for in the Agency Funds.

- **College and University Funds**

Transactions related to resources received and used for operation of the State's institutions of higher education are accounted for in the College and University Funds. They include:

- **Current Funds**--Account for unrestricted funds such as State General Fund appropriations, tuition and fees, and auxiliary enterprise revenues, and to account for restricted funds for current operating purposes from external donors and federal agencies.
- **Loan, Endowment, and Agency Funds**--Account for assets held in a fiduciary capacity.
- **Plant Funds**--Account for assets that have been or will be invested in property, plant, and equipment and that are reserved to retire debt issued to finance plant facilities.

• **Account Groups**

Account groups are used to establish accounting control over the State's general fixed assets, the unmatured principal of its general long-term debt, and other long-term obligations of governmental funds. The account groups include:

- **General Fixed Assets Account Group**--Accounts for fixed assets acquired through governmental fund types. General fixed assets do not represent financial resources available for appropriation and expenditure. Fixed assets acquired through Enterprise, Internal Service Funds, certain Trust Funds, and College and University Funds are not general fixed assets, and are reported in the accounts of the acquiring fund.
- **General Long-Term Debt Account Group**--Accounts for all general long-term debt and other long-term liabilities including capital leases, contracts and notes, and compensated absences, relating to governmental funds.

D. Basis of Accounting for Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using the current financial resources measurement focus (modified accrual basis). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary, nonexpendable trust, and pension trust funds are accounted for on a flow of economic resources measurement focus (accrual basis). With this measurement focus, all assets and liabilities associated with operations of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds, expendable trust funds and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Primary revenue sources susceptible to accrual are income taxes, excise taxes, and federal revenues. Taxpayer assessed taxes are considered "measurable" when the revenue is in the hands of intermediary collecting agents. Federal grant revenue is not recognized until the expenditure is recognized. Other revenues collected within 90 days of year end are considered to be available. Expenditures and other uses of financial resources are recognized when the related liability is incurred, except for items that are not planned to be liquidated with expendable available resources, such as the long-term portion of the liability for compensated absences and capital lease obligations. Long-term receivables, net of uncollectibles, are included in the governmental-type funds. Loans and advances are reserved; other long-term receivables are deferred to future periods on the balance

sheet. Agency funds are also accounted for on the modified accrual basis, but do not account for assets received and disbursed by the State.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Increases and decreases in the market value of equity investments reported in the Pension Trust Fund are reflected as interest income in accordance with Statements on Financial Accounting Standards (SFAS) 35. Market value increases and decreases on equity investments of the State Accident Insurance Fund (Enterprise Fund) are reflected as "Unrealized Gains on Investments" in accordance with SFAS 60.

The college and university funds are accounted for on an accrual basis of accounting with the following exceptions:

1. Depreciation expense is not recorded.
2. Revenues and expenditures of an academic term encompassing more than one fiscal year are reported in the fiscal year in which the program is predominantly conducted.
3. Interest expense is recorded when the payment is made.

E. Budgets

All agency administrative budgets are approved by the Legislature biennially. Any increases in the budgets that may be necessary are approved by the Emergency Board of the Legislature during the interim. Legislatively approved appropriations are financed from general governmental revenues of the General Fund. Legislatively approved limitations are financed from general governmental revenues or revenues of self-supporting activities of Oregon. Appropriations and limitations, except for capital construction, lapse at the end of the biennium.

During the biennium, the Executive Department approves spending limits for each quarter. Each agency's actual expenditures are monitored daily against approved budgets, quarterly allotments, and cash balances.

Appropriated budgets include expenditure authority created by appropriation bills and related estimated revenues. All funds are subject to legislative approval. Nonappropriated budgets, and some nonlimited financial activities, are also subject to allotment control by the Executive Department.

The basis of preparing budgets is consistent with the basis of accounting for the different fund groups, except for the case of transactions relative to long-term receivables and payables in proprietary fund types. Those transactions are treated as revenues and expenditures for budgetary purposes.

Encumbrances are commitments related to unperformed contracts for goods or services and are not considered expenditures under GAAP. Encumbrance accounting is allowed during the biennium. However, encumbrances lapse at the end of a biennium. Services or supplies must be received prior to June 30 of the biennium end to be charged to the current budget. Any encumbrances outstanding at the end of the biennium, except for those related to capital construction, capital improvements, and contested claims, must be charged to the following period budget.

A reconciliation is included on the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual". It reconciles the budgetary basis of accounting to the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types" which present generally accepted accounting principles. The budget data presented includes amendments made as provided by law.

F. Cash and Investments

Cash includes all cash deposited in the State Treasury and cash in depositories other than the State Treasury. Other types of cash included are coin, currency, checks, warrants. Cash also includes cash equivalents which are short-term investments with a maturity date within 30 days of the date acquired by the State.

Money deposited by agencies in the State Treasury is invested as authorized by state statutes (see Note 2). Debt securities, certificates of deposit, and real estate held for the production of income are generally valued at cost.

Equity investments of the Public Employee Retirement System and SAIF Corporation are currently carried at market value in accordance with SFAS 35 and 60, respectively. Debt investments are stated at cost or amortized cost and are accounted for under the completed transaction method. It is generally the intention of the State to hold the debt security investments until maturity. Market values are stated, if available (see Note 2).

Investments of the Deferred Compensation Plan are valued at market value and reported in agency funds on the balance sheet.

G. Receivables

Receivables are shown net of uncollectible accounts. Receivables are amounts due representing revenues earned or accrued in the current period. Types of receivables included in this classification relate to taxes, interest, amounts due from the federal government or other governments, and amounts due resulting from the sale of goods or services.

H. Short-Term Interfund Receivables/Payables

During the course of operations, many transactions occur between individual funds for various reasons. These receivables and payables are classified as "Interfund Receivables" and "Interfund Payables" on the balance sheet.

I. Advances to Other Funds

Noncurrent portions of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources. The transaction is recognized by the other fund in the balance sheet account "Advance from Other Funds".

J. Inventories

Inventories are primarily stated at cost utilizing the FIFO (first-in, first-out) valuation costing method. Physical inventories are required to be taken annually. In proprietary-type funds, the expense occurs when the inventory is used. In governmental-type funds, the expenditure occurs when the inventory is purchased. Fund balance is reserved for inventories since they represent funds which are not available for expenditure.

In the proprietary type funds, inventories are usually defined as the cost of goods or property held for resale. In all other funds, inventories are considered the value of supplies on hand for use in the fund's operations.

K. Prepaid Expenses and Deferred Charges

Prepaid expenses are payments made to vendors for services that will benefit periods beyond June 30 and are recorded as prepaid items. The amounts reported as deferred charges represent issuance costs on bonds which are amortized over the life of the issue using the bonds outstanding method, which approximates the interest method.

L. Foreclosed and Deeded Properties

Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at the lower of cost or fair market value.

M. Restricted Assets

Certain proceeds of enterprise fund revenue and general obligation bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond covenants.

N. Receivership Assets

Receivership assets represent the net assets of insurance companies which have been placed into receivership under the control of the Department of Insurance and Finance in accordance with Oregon Revised Statutes.

O. Fixed Assets

Fixed assets used in governmental type operations are recorded as expenditures in the governmental funds and Expendable Trust Funds and the related assets are reported in the General Fixed Assets Account Group. Fixed assets acquired by proprietary funds, College and University Funds, Pension Trust and Nonexpendable Trust Funds are recorded within the funds.

Interest expense incurred during construction of capital facilities is not capitalized when the assets will be reported in the General Fixed Assets Account Group. Material interest costs incurred during capital construction performed by proprietary type funds is capitalized within the fund.

Roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are normally immovable and of value only to the governmental unit. These "infrastructure" asset values, of the statewide highway system, are excluded from this report. Oregon's airports, however, are included in the Land, Buildings and Improvements category.

Fixed assets are reported at historical cost or estimated historical cost if the original cost is not determinable. Donated fixed assets are reported at their estimated fair market value at the time received. Land costs include 646,638 acres of forest and other lands valued at one dollar per acre. Leased property is reported at the net amortized value.

Capital leases, where title to the property passes to the State, are included in the appropriate fixed asset class. The property is depreciated, if appropriate. In the cases where the capital lease title will not pass to the State, the Capital Leased Property account is used. The property is amortized, if appropriate.

The Construction in Process account represents the total expended to date on a capital project. If a governmental type fund will own the asset, the account is included in the General Fixed Assets Account Group. If another fund type will own the asset, the account is included in the fixed assets of the fund.

Fixed assets costing less than \$100 are not capitalized.

General fixed assets are not depreciated. Depreciation or amortization of fixed assets of proprietary type funds is performed using any generally accepted method of computing depreciation that an agency is recommended to use to meet requirements of the federal government or other organization for rate determination or cost recovery purposes; otherwise, one of the two following methods is required:

- (a) Straight-line Depreciation provides for the distribution of the cost evenly over the life of the fixed asset. Useful lives for buildings and related assets range from 20 to 50 years while useful lives of equipment and machinery range from 3 to 10 years.
- (b) Working Hour Method which provides for the distribution of costs over the estimated useful hours or days of a piece of equipment.

Amortization is a systematic reduction of the intangible property value over the life of the property or period of the lease, whichever is shorter. Intangible assets include leasehold improvements, software, and capital leases where the lease does not provide for a change in ownership.

Interest capitalized as part of capital construction costs is depreciated over the estimated useful life of the asset.

GAAP for college and university funds does not require depreciation or amortization of fixed assets. Depreciation is not recorded except at the Oregon Health Sciences University Hospital.

P. Claim Loss Liability

The liabilities are for insurance claims incurred prior to the reporting date. They are based on actuarial estimates which include a provision for claims incurred but not reported. The liabilities are reported using the discounted method.

Q. Vacation Payable

Employees accrue annual vacation leave at a rate of eight to 17.3 hours per month. Vacation and other compensatory time that meet the following criteria are reported as vacation payable:

- (1) The employee's right to receive compensation is based on services already rendered;
- (2) Rights are vested and accumulate;
- (3) Payment of the compensation is probable; and
- (4) The amount can be reasonably estimated.

Accumulated vacation leave that is expected to be paid with expendable available financial resources, generally within 90 days, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with current resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to the employees. In accordance with the provisions of SFAS 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

R. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria has been met but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Long-term receivables of governmental fund types that are not loans or advances are deferred to future periods.

S. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenses/expenditures in the funds as if they involved organizations external to the state. Transactions that are reimbursements to a fund for expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions of expense in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

T. Bond Discounts

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are generally deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges in proprietary type funds.

U. Elements of Fund Equity

A portion of the fund equity has been reserved to indicate it cannot be used for expenditure of current resources in governmental fund types. Reserve accounts used for this segregation are Reserve for Inventories, Reserved for Receivables, Designated for Contingencies, Reserved for Advances to Other Funds, Reserved for Revolving Accounts, Reserved for Encumbrances, Reserved - Other, and Reserved for Debt Service. No portion of the unreserved fund equity has been designated.

Contributed Capital represents assets contributed to a proprietary fund. These are in the form of donated or transferred equipment and capital assessments which are reported as residual equity transfers on the operating statement. Residual equity transfers between funds do not balance since capital assessments are reported as residual equity transfers in the Internal Service Fund and as expenditures in other fund types.

Unrealized Gain on Investments represents the excess of market value over cost on investments held by SAIF in accordance with insurance industry standards.

College and University fund equity has been classified as restricted and unrestricted. A detail listing of college and university fund equity is presented in Note 14.

V. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "memorandum only" to indicate that they are presented only for use in financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation of funds since interfund eliminations have not been reflected in these columns.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The State maintains a cash and investment pool that is available for use by all funds. The pool has deposits and other investments. Each fund's portion of this pool is summarized by fund type in the Combined Balance Sheet as Cash and Investments. Short and long-term investments are held by several of the State's funds. All investments are stated at amortized cost except certain real estate and the equity funds of the Public Employees Retirement Fund (PERF) and the equity funds of the State Accident Insurance Fund (SAIF) which are stated at market value. The PERF is included in Fiduciary Funds; SAIF is part of Enterprise Funds.

The State Treasurer is the investment officer for the funds on deposit in the State Treasury. The State's investment policies are governed by State Statutes and the Oregon Investment Council. The State Treasurer may invest in any instrument which persons of prudence, discretion, and intelligence would invest in for their own account (the prudent person rule). State moneys may be deposited in any trust company, savings and loan association or bank or mutual savings bank or branch office in that capacity within the State. The State is authorized to use demand deposits and certificates of deposit. Common stock acquisitions, however, can only be made by PERF and SAIF and are limited to 50% of the funds in the PERF and SAIF funds. Common stock transactions must be handled by outside money managers who are under contract to the Investment Council.

Some investments are made directly by a state agency rather than by the investment officer. Only a few agencies are authorized to make such investments and then only for certain specific programs.

The State Treasurer maintains an investment pool for local governments. Moneys deposited are commingled with State Funds' cash determined to be in excess of immediate needs and invested in short-term, high liquidity investments. The local governments' investments are included in this report.

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant changes in value because of changes in interest rates. Only investments with original maturities of 30 days or less meet this definition.

A. Cash Deposits

At June 30, 1990, the State had a book balance of \$1,324,092,000 and a bank balance of \$1,548,508,000 on deposit with financial institutions. Of this amount, \$882,366,000 of unemployment compensation trust funds were held in the Federal Reserve Bank of the United States Treasury and were backed by the full faith and credit of the U.S. Government, \$162,439,000 was fully insured by federal depository insurance or insured by the statewide collateral pool which insures public deposits pursuant to ORS 295, and \$157,277,000 was uninsured and uncollateralized. The collateral pool insures deposits for 25% of the certificate of participation issued by the collateral pool managers. Accordingly, 25% of the amounts in the statewide collateral pool are classified as collateralized and 75% as uncollateralized. There is \$253,399,000 on deposit for the accounts of Oregon Equity Fund investment managers, and \$2,347,000 on deposit for the accounts of other domestic investment managers at First Interstate Bank of Oregon. There is \$90,679,000 on deposit at Chase Manhattan Bank in London for the accounts of the International Fund investment managers. These deposits, which are both in foreign currencies and U.S. dollars, are backed by the faith and credit of First Interstate Bank and Chase Manhattan Bank. Although most of the deposits are in interest bearing accounts, they are neither collateralized nor insured. The size of the deposits varied throughout the year, depending on the cash requirements of the investment managers conducting equity trades in the domestic and international marketplaces. Included in the amounts above is \$12,834,000 on deposit with Oregon's fiscal agents, who assume responsibility for these funds.

B. Investments

The State's investments are categorized on the following page to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the State's name.

**STATE OF OREGON
INVESTMENTS AS OF JUNE 30, 1990**

(Expressed in Thousands)

	Risk Category			Carrying	Market
	1	2	3	Amount	Value
U.S. Government Securities	\$ 3,562,551			\$ 3,562,551	\$ 3,567,148
Common Stock	6,843,167			6,843,167	6,834,969
International Securities	284,978			284,978	282,586
Municipal Bonds	68,206			68,206	68,420
Bankers Acceptances	88,980			88,980	89,539
Collateralized Mort. Ob.	264,463			264,463	265,476
Real Estate Mortgages	127,743			127,743	125,154
Commercial Paper	1,409,628			1,409,628	1,417,447
Corporate Bonds	2,186,581			2,186,581	2,204,545
Repurchase Agreements	107,702			107,702	107,702
Other	<u>8,683</u>			<u>8,683</u>	<u>9,059</u>
Total Investments Classified by Risk Category	<u>\$14,952,682</u>			<u>14,952,682</u>	<u>14,972,045</u>
Unclassified as to Risk:					
Real Estate				529,818	529,817
Leveraged Buy Out				836,628	836,628
Venture Capital				66,087	66,100
Common Stock				241,139	241,139
Real Estate Mortgages				550,118	550,333
Other (Agency and Business Loans)				<u>5,266</u>	<u>5,266</u>
Total Unclassified Investments				<u>2,229,056</u>	<u>2,229,283</u>
Total Investments				<u>\$17,181,738</u>	<u>\$17,201,328</u>

C. Repurchase Agreements

Repurchase agreements are a purchase of securities with a simultaneous agreement to resell those same securities in the future at the same price plus a contract rate of interest. At June 30, 1990, the Enterprise Funds held \$75,630,000 and the Internal Service Funds held \$32,072,000 in repurchase agreements. In addition, these investments are made throughout the year for short periods of time. No losses were incurred during the year on repurchase agreements.

D. Reverse Repurchase Agreements

Reverse repurchase agreements are a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received to provide the dealers with a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the State or provide securities or cash of equal value, the State would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. At June 30 there were no holdings of reverse repurchase agreements. Occasionally throughout the year these investments are made for short periods of time. No losses on reverse repurchase agreements were incurred during the year.

E. Securities Lending Agreements

The State participates in securities lending agreements whereby securities are loaned to broker/dealers for a fee. The borrowing broker/dealers pledge and maintain collateral. An economic loss could occur if there was a default or if the obligation value exceeded the collateralized value. At June 30, 1990, the market value for the securities loaned was \$1,026,129,000 and the related collateral was \$1,036,997,000. These amounts are presented on the financial statements.

F. Department of Veterans' Affairs Debt Reserve

Included in cash and investments are amounts recorded in the Department of Veterans' Affairs Debt Reserve Account. Funds in the Debt Service Reserve Account are restricted for retirement of future bond principal and interest. The Debt Reserve Account was established to provide a reserve which is to be maintained at a level equal to the maximum annual debt service of the program. As of June 30, 1990, the Debt Service Reserve Account included \$353,231,000 in cash and \$267,615,000 in investments.

G. College and University Investments

1. Assets of endowment funds, except for endowments having a book value of \$140,182 and quasi-endowments having a book value of \$2,304,740 which represent bequests with investment restrictions or maturing securities, are pooled on a market value basis. Each fund subscribes to or disposes of units on the basis of the market value per unit as of the end of the preceding month in which the transaction occurred. Gains, losses, and adjustments on investment transactions of the State Treasurer are being entered in the accounting records. Trust funds in which the Department of Higher Education has a remainder interest have been individually recorded at a \$1 nominal value in the investment accounts.

Pooled investments are managed through the Common Fund.

<u>Pooled Endowment Funds</u>		
<u>Year Ended June 30</u>		
	<u>1990</u>	<u>1989</u>
Portfolio Cost	\$47,516,397	\$44,874,321
Market Value	48,598,034	44,560,805
Participating Units	3,433,053	3,144,112
Unit Value	\$14.16	\$14.17

1989-90 Endowment Fund and Quasi-Endowment Fund Balances

	<u>Pooled Endowment Funds</u>	<u>Pooled Quasi- Endowment Funds</u>	<u>Endowment Funds Separately Invested</u>	<u>Quasi- Endowment Funds Separately Invested</u>	<u>Institutional Total</u>
University of Oregon	\$ 5,520,875	\$ 994,504	\$ 91,730	\$ 27,645	\$ 6,634,754
Oregon State University	406,691	6,743,212	-	2	7,149,905
Portland State University	108,794	179,609	-	-	288,403
Western Oregon State College	2,353	13,003	-	-	15,356
Southern Oregon State College	5,054	2,830	-	-	7,884
Eastern Oregon State College	371,771	79,498	-	-	451,269
Oregon Health Sciences University	5,544,733	9,090,507	48,452	2,277,093	16,960,785
Oregon Institute of Technology	-	74,455	-	-	74,455
Centralized Activities	3,116	17,987	-	-	21,103
Fund Book Value	<u>11,963,387</u>	<u>17,195,605</u>	<u>140,182</u>	<u>2,304,740</u>	<u>31,603,914</u>
Total Pooled Funds	29,158,992				
Portfolio Losses, Gains, and Other Adjustments	16,415,917	-			16,415,917
Reinvested Income	<u>1,941,488</u>				<u>1,941,488</u>
Investment Portfolio Cost Basis	<u>\$47,516,397</u>		<u>\$140,182</u>	<u>\$2,304,740</u>	<u>\$49,961,319</u>

2. Funds held in trust by others, for which the Department of Higher Education is an income beneficiary, are not recorded in the financial records. To the best of our knowledge, approximate values on June 30, 1989, of such trusts are:

Eastern Oregon State College	\$1,009,880
University of Oregon	346,367
Oregon State University	397,689
Oregon Health Sciences University	<u>6,050,442</u>
Total	<u>\$7,804,378</u>

NOTE 3. JOINT VENTURES

The Multi-State Lottery Association (MUSL) was established September 16, 1987, by joint agreement of the District of Columbia Lottery and Charitable Games Control Board, the Iowa Lottery, the Kansas State Lottery, the Missouri State Lottery Commission, the Oregon State Lottery, the Rhode Island State Lottery, and the West Virginia State Lottery. The Wisconsin Lottery, the Montana Lottery, and the Idaho Lottery joined MUSL August 4, 1989, November 7, 1989, and January 3, 1990, respectively. MUSL is governed by a Board of Directors, on which each party lottery is represented. The Board's responsibilities are to initiate, promulgate, and administer a multi-state lottery game for the mutual benefit of the party

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lotteries. MUSL holds semiweekly drawings with the prize amounts determined by wagers placed, except that the grand prize award is guaranteed to be no less than \$2,000,000. The lottery game chosen, LOTTO AMERICA, began sales February 3, 1988. The first drawing was Saturday, February 13, 1988.

The Multi-State Lottery Association offices are located in Des Moines, Iowa. A small administrative staff oversees the daily operation of the Association. Each party lottery paid a share of the administrative expenses based upon its share of total game sales. The Oregon State Lottery Commission's share of administrative expenses for fiscal year 1990 was \$79,483.

At June 30, 1990, the Association had \$1,160,844 in Oregon State Lottery Commission reserve prize funds on deposit.

NOTE 4. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group:

(Expressed in Thousands)

	<u>June 30,</u> <u>1989</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> <u>1990</u>
Land	\$ 98,730	\$ 4,095	\$ 2,641	\$ 100,184
Buildings	183,999	78,637	1,028	261,608
Improvements	112,228	2,806	97	114,937
Construction in Process	20,643	42,441	30,206	32,878
Equipment and Machinery	292,845	39,869	17,891	314,823
Data Processing Software	4,821	1,058	525	5,354
Leasehold Improvements	2,114	225	14	2,325
Capital Leased Property	<u>613</u>	<u>80</u>	<u>8</u>	<u>685</u>
Total	<u>\$715,993</u>	<u>\$169,211</u>	<u>\$52,410</u>	<u>\$ 832,794</u>

Increases in Buildings includes \$36,060,000 which records the estimated cost of the federal share of Military Department armories constructed prior to July 1, 1989, which had not previously been recorded. Recording of the assets in the current year has no effect on operations or fund balance of the State.

The following is a summary of proprietary fund fixed assets at June 30, 1990:

(Expressed in Thousands)

	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$ 1,479	\$ 350
Buildings	73,904	73,389
Improvements	5,978	6,128
Leasehold Improvements (Net of Amortization)	118	714
Capital Leases (Net of Amortization)	26	574
Construction in Process	2,233	10,030
Equipment and Machinery	40,219	101,164
Data Processing Software (Net of Amortization)	442	976
Less: Allowance for Depreciation	<u>(65,247)</u>	<u>(84,132)</u>
Total	<u>\$ 59,152</u>	<u>\$109,193</u>

The following is a summary of the College and University Funds fixed assets at June 30, 1990:

(Expressed in Thousands)

Land	\$ 31,515
Buildings	623,179
Improvements	41,985
Equipment and Machinery	440,340
Museum Collection	<u>26,765</u>
Total	<u>\$1,163,784</u>

NOTE 5. PENSION PLAN OBLIGATION

A. Plan Description

Plan Membership - The Oregon Public Employees Retirement System (PERS) is a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes Chapter 237 by the Public Employees Retirement Board (PERB). For State agencies, community colleges and school districts PERS is a cost-sharing, multiple-employer system. It is an agent multiple-employer system for political subdivisions. Participation by state government units, school districts and community colleges is mandatory. Participation by most political subdivisions is optional but irrevocable if elected.

The Judges Retirement System (JRS) is a defined benefit, single-employer plan, for Judges of the Courts in the Judicial Department of the State of Oregon who did not transfer to the PERS plan in 1983 or 1987. The JRS is administered under ORS 1.301 to 1.390. Judges elected or appointed after January 1, 1984 automatically become "judge members" of PERS. Membership data follows:

<u>Employer Members</u>	<u>12-31-89</u>		<u>12-31-88</u>	
	<u>PERS</u>	<u>JRS</u>	<u>PERS</u>	<u>JRS</u>
State Agencies	111*	1	121	1
Political Subdivisions	430	-	421	-
Community Colleges	16	-	16	-
School Districts	<u>338</u>	-	<u>336</u>	-
Total	<u>895</u>	<u>1</u>	<u>894</u>	<u>1</u>

*The reduction is due to consolidations and mergers of State agencies.

Employee Members.

Retirees and Beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:

	<u>12-31-89</u>		<u>12-31-88</u>	
	<u>PERS</u>	<u>JRS</u>	<u>PERS</u>	<u>JRS</u>
General	52,253	66	50,729	66
Police and Fire	<u>1,858</u>	-	<u>1,804</u>	-
Total	<u>54,111</u>	<u>66</u>	<u>52,533</u>	<u>66</u>

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<u>Current Employees</u>	<u>12-31-89</u>		<u>12-31-88</u>	
	<u>PERS</u>	<u>JRS</u>	<u>PERS</u>	<u>JRS</u>
Vested:				
General	89,257	-	84,898	-
Police and Fire	5,754	-	5,364	-
Nonvested:				
General	47,157	14	47,089	14
Police and Fire	<u>2,376</u>	-	<u>2,053</u>	-
Total	<u>144,544</u>	<u>14</u>	<u>139,404</u>	<u>14</u>

The total payroll for the year ended June 30, 1990 was \$748,055,336 while total PERS covered payroll was \$657,579,985. Substantially all employees are covered because after six months trial service with the state all employees must belong to PERS. The Oregon PERS collects contributions from both employers and employees for the purpose of funding retirement benefits. Each employee contributes 6% of their salary. The employee's share is either deducted from their salary or is "picked up" by the employer. The system covers about 144 thousand state and local government Oregon employees and 54 thousand retired employees or their beneficiaries.

B. Plan Benefits

Pension Benefits - The PERS retirement allowance is payable monthly for life. It may be selected from twelve retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.00 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a money match or an annuity-plus-pension computation if a greater benefit results.

Police and fire members may purchase increased benefits between the date of retirement and age 65.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). A member can retire with unreduced benefits at age 58 or at any age with 30 or more years of creditable service. General employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Members with 30 years of service (25 years for police and fire members) receive unreduced benefits. General employee benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with less than 25 years of service.

The retirement allowance for judge members is computed by multiplying 2.8125 percent by the final average salary for the first 16 years of service, and 1.67 percent of final average salary multiplied by the number of years of service as a judge in excess of 16. For most judge members, the maximum amount is limited to 65 percent of final average salary.

JRS members are entitled to an amount equal to one-twelfth of 45 percent of final average salary, upon reaching age 65 with 16 years of service or at age 70 with 12 years of service.

Death Benefits - Upon the death of a non-retired PERS member, the beneficiary receives a lump sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance provided that one or more of the following is true:

- The member was employed by a PERS employer at the time of death.
- The member died within 120 days after termination of PERS-covered employment.
- The member died as a result of injury sustained while employed in a PERS-covered job.
- The member is on an official leave of absence from a PERS-covered job at the time of death.

A member's beneficiary may choose a monthly payment for life instead of the lump sum, or a combination of lump sum and monthly payments, if eligible.

Surviving spouses of JRS members receive a monthly payment as provided in ORS 1.340. Surviving spouses of "judge members" of PERS receive benefits as provided in ORS 237.227.

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes receives a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including "judge members" of PERS) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

JRS members or "judge members" of PERS who have served a minimum of six consecutive years and who become physically or mentally incapacitated are entitled to a monthly benefit.

Monthly benefits are adjusted annually for cost-of-living changes. Two percent per year is the maximum cost of living adjustment. Periodically, the Oregon Legislature has granted ad hoc increases to post-retirement benefits.

Post-Retirement Health Care Benefits - Under ORS 237.320, the PERB may contract for medical and hospital insurance on behalf of the retired members. As described in ORS 237.248, up to \$60 (\$50 prior to November 1, 1989) toward insurance coverage to supplement federal Medicare, may be paid from the Retirement Health Insurance Account (RHIA), formerly the Retirement Health Insurance Trust Fund (RHITF). To qualify, persons must be eligible for federal Medicare coverage, and must be receiving a retirement allowance or benefit from PERS. Qualifying service is another factor in determining eligibility for post-retirement health care benefits. Eligible persons include:

- a PERS member, retired for service or disability, with eight years or more of qualifying service;
- a surviving beneficiary of a deceased PERS member who was eligible at the time of death.

C. Funding Requirements

Member contributions are established by statute at four to seven percent of salary. They are remitted by the participating employers. The contributions are either deducted from member salaries or paid by the employers. The Member Reserve represents member contributions and earnings allocations less refunds and amounts transferred to reserves for retirement and disability.

Employer contribution rates are determined using an actuarial formula known as the "entry age cost method". Under this method, a "normal cost" rate for each member is calculated. Normal cost is a level percentage of salary. Beginning at the member's entry into the system, it will accumulate to an amount sufficient to provide the member's retirement benefit. After the unfunded supplemental present value created by this method has been determined, the employer contribution rates are established as a level

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percentage of salary. The rates are set to cover the normal cost and amortize the unfunded amount over a 30-year period, commencing on the actuarial valuation date.

Based on the 1989 actuarial valuation, the Board decided to implement a recommended decrease, beginning July, 1, 1992.

D. Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits. The amount is adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of "Credited Projected Benefits".

It is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits, and make comparisons with other systems. The measure is independent of the actuarial funding method used to determine contributions to PERS, discussed in Note 5.F.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1989. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) additional projected salary increases attributable to seniority/merit, and (c) post-retirement benefit increases of 2 percent compounded annually.

At December 31, 1989, the unfunded pension benefit obligation was \$(911.7) million as follows:

Pension benefit obligation (in thousands):

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 3,551,700
Current Employees - Accumulated employee contributions including allocated investment income	3,182,000
Employer-financed vested	3,395,700
Employer-financed non-vested	<u>252,500</u>
Total pension benefit obligation	\$10,381,900
Less net assets available for benefits, at book value per balance sheet	<u>11,293,600</u>
Unfunded pension benefit obligation	\$ (911,700)

E. Contributions Required and Contributions Made

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a level percentage of annual covered payroll, coupled with employee contributions accumulate sufficient assets to pay benefits when due.

Employer contributions to the PERF for the year were \$363,819,927, equivalent to 11.19 percent of the members' aggregate annual salaries of \$3,250,890,932. Amounts actually contributed by employers were in accordance with actuarially computed funding requirements. Employer contributions consist of three components: a normal cost rate, an unfunded actuarial accrued liability contribution rate, and a rate for ad hoc increases. Actual employer rates varied among the employer groups as follows:

	State Agencies and Community Colleges	School Districts	Political Subdivisions Police & Fire	General
Normal Cost	8.67%	9.56%	12.58%	6.43%
Unfunded Actuarial Liability	.80	1.49	4.20	.34
Ad Hoc Increases	<u>.75</u>	<u>.75</u>	<u>.75</u>	<u>.75</u>
	<u>10.22%</u>	<u>11.80%</u>	<u>17.53%</u>	<u>7.52%</u>

The rates for political subdivisions are presented in the aggregate. Actual rates for political subdivisions vary by employer.

The December 31, 1989 actuarial valuation determined that the level employer contributions as a percentage of covered payroll appropriate to fund the system could be reduced to a composite rate of 9.74% from the composite rate of 11.30% determined by the December 31, 1987 actuarial valuation. Based on the December 31, 1989 valuation, the Retirement Board decided to retain the current rates for all employer groups until July, 1992, at which time new rates will go into effect that are the equivalent of the valuation rates. The new rates will be 8.59% for State agencies and community colleges and 10.86% for schools starting July, 1992.

F. Actuarial Cost Method and Assumption

Employer contribution rates are set using the entry age actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for amortization of the unfunded actuarial accrued liability over a period of 30 years.

Beginning with the December 31, 1987 actuarial valuation, a change was made to the period over which the unfunded actuarial accrued liability is amortized. The unfunded actuarial liability is amortized over a rolling thirty-year period commencing on the date of the actuarial valuation.

The actuarial valuation as of December 31, 1985, which was used in determining contribution rates for 1988 and 1989, made the following assumptions: (1) a rate of return on the investment of present and future assets of 7.5 percent per annum compounded annually; (2) projected salary increases of 6 percent per year compounded annually due to annual salary increases plus increases due to promotions and longevity; (3) pre-and post-mortality life expectancies of participants, based upon several mortality tables (UP-1984, 1965-70 Basic Ultimate, and 1971 Individual Annuity Mortality); (4) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience; (5) rates for extra liabilities resulting from the grandfathering of former plan benefits; and (6) a factor for unused sick leave that is used to increase the final average salary used to calculate retirement benefits.

Significant actuarial assumptions used to compute contribution requirements are essentially the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note 5.D. The major difference is that the pension benefit obligation does not include an additional liability for the actuarial present value of benefits to be earned from future service by current employees.

G. Actuarial Present Value of Accrued Benefits and Projected Benefits

The December 31, 1989 actuarial valuation of the System reported that the present value of accrued benefits for all non-retired members is fully funded. It also reported that the present value of projected benefits to be earned in future years by present members is also fully funded.

These two segments represent the unfunded actuarial accrued liability. This is the amount by which the accumulated entry age costs for all non-retired members of the system exceed the assets available to meet benefit commitments.

The unfunded actuarial accrued liability is amortized over a rolling 30-year period, commencing on the date of the actuarial valuation.

The use of a rolling amortization period is a change from the fixed period ending in 2005 which had been utilized for most employers prior to the December 31, 1987 actuarial valuation. This change had no effect on the actuarial accrued liability at December 31, 1987 and 1989.

A comparison of the 1989 and 1987 actuarial valuations follows:

	Expressed in Millions	
	<u>12-31-89</u>	<u>12-31-87</u>
Present Value of Accrued Benefits (earned and nonforfeitable)	\$(3,804.1)	\$(2,028.1)
Present value of Projected Benefits to be Earned in Future Years by Present Members	<u>3,730.7</u>	<u>2,909.9</u>
Total Unfunded Actuarial Accrued Liability	<u>\$ (73.4)</u>	<u>\$ 881.8</u>

The decrease in the unfunded actuarial liability from \$881.8 million to \$(73.4) million since the December 31, 1987 actuarial valuation is reflective of the net impact of actuarial gains and losses, revised actuarial assumptions and benefit improvements enacted in 1989. A significant factor was an investment gain during 1988 and 1989 of \$1,838.7 million.

SFAS 35 requires pension plans to recognize the present value of accrued benefits attributable to members' service as of a specified date. National Council on Governmental Accounting Statement (NCGAS) 6 requires pension plans to recognize the present value of projected benefits. Projected benefits represent the accrued benefits plus benefits based on future compensation as projected to retirement. For financial reporting purposes, PERS reports actuarial liabilities for accrued benefits. PERS will continue this practice until the conflict between SFAS 35 and NCGAS 6 is resolved.

H. Historical Trend Information

Historical trend is designed to provide information about Oregon PERS' progress made in accumulating sufficient assets to pay benefits when due is presented below.

(Amounts in Millions of Dollars)

Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4)/(5)
1985	\$ 5,824.2	\$ 6,456.5	90.2%	\$ 632.3	\$2,489.8	25.4%
1987	7,696.5	8,325.0	92.5%	628.5	2,826.0	22.2%
1988	9,351.6	10,025.2	93.3%	673.6	3,021.4	22.3%
1989	11,293.6	10,381.9	108.8%	(911.7)	3,250.9	(28.0%)

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of Oregon's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financial stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Oregon's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement system.

**Oregon Public Employees Retirement System
REVENUE BY SOURCE AND EXPENSES BY TYPE
PUBLIC EMPLOYEES RETIREMENT FUND**

Revenues by Source

<u>Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Total</u>
1980	\$102,589,898	\$182,054,762	\$ 360,448,980	\$321,043	\$ 645,414,683
1981	112,983,939	210,990,447	107,043,791	357,514	431,375,691
1982	135,134,543	265,686,189	470,730,906	319,699	871,871,337
1983	126,863,132	256,744,958	661,458,953	386,182	1,045,453,225
1984	166,679,883	235,312,467	296,664,481	418,298	699,075,129
1985	147,293,914	261,729,591	992,100,326	393,071	1,401,516,902
1986	152,357,774	273,091,405	1,226,755,434	427,552	1,652,632,165
1987	160,487,809	287,795,014	566,069,769	52,943	1,014,405,535
1988	172,475,516	330,829,187	1,257,384,384	34,716	1,760,723,803
1989	191,097,679	363,819,927	1,811,425,976	37,018	2,366,380,600

Expenses by Type

<u>Year</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Investment* Service Charges</u>	<u>Other Expenses</u>	<u>Total</u>
1980	\$ 93,070,785	\$1,949,677	\$23,622,097	\$ -	\$ -	\$118,642,559
1981	110,326,981	1,957,444	26,064,020	-	-	138,348,445
1982	133,439,630	2,277,243	24,669,634	-	-	160,386,507
1983	155,741,231	2,580,288	25,256,736	-	-	183,578,255
1984	177,987,513	2,755,608	30,010,539	-	-	210,753,660
1985	206,806,311	2,905,072	30,630,293	-	-	240,341,676
1986	237,541,337	3,648,201	27,576,732	-	-	268,766,270
1987	274,081,008	4,406,503	29,308,143	20,951,932	-	328,747,586
1988	304,291,149	6,128,908	25,520,682	23,437,634	-	359,378,373
1989	349,358,501	6,914,426	33,275,135	34,623,457	\$7,521,754	431,693,273

*Prior to 1987, investment service charges were netted against investment income.

NOTE 6. DEFERRED COMPENSATION

A deferred compensation program was authorized under Internal Revenue Code Section 457 and ORS 243.400 to 243.495. The program is a benefit available to all state employees wherein they may execute an individual agreement with the state for amounts earned by them to be paid at a future date. Participants in the program are not required to pay federal and state income taxes on the deferred earnings until they are received. Participants cannot receive the funds until certain circumstances are met. These circumstances are termination by reason of death; disability; resignation; retirement; or unforeseeable emergency. Payments to participants may be made over a period not to exceed the life expectancy of the participant and/or spouse. Employees of higher education institutions can opt to participate in external deferred compensation plans that are not included in this discussion.

Moneys accumulated by the State under its deferred compensation plan have been transferred to the Executive Department for deposit with various financial institutions and insurance companies. These deposits are not subject to the collateral requirements of Oregon Law. Moneys accumulated by the State under the deferred compensation program represent a general liability of the State to its employees whose rights are equal to but not greater than the rights of other general creditors with respect to such amounts.

The deferred compensation activity is included in Agency Funds. The investments are valued at market and total \$141,802,000 at June 30, 1990.

NOTE 7. COMMITMENTS

A. Construction

College and University Funds capital project commitments at June 30, 1990 totaled \$86,943,000. Other capital project commitments as of June 30, 1990, were approximately \$154,642,000.

As of June 30, 1990, commitments of the Oregon Highway Division for the construction of infrastructure are \$168,602,000 to be paid from federal funds and \$135,992,000 to be paid from State funds. The construction is accounted for in the Special Revenue Funds.

Some of the buildings such as the one occupied by the Employment Division, were either paid for or were leased utilizing, at least in part, federal funds which may create a federal equity in the property. Any federal equities in the State's fixed assets cannot be determined at this time and are not reflected in this report.

B. Lease Obligations

Financial reporting and accounting procedures differ between operating leases and capital leases. Operating leases are rental agreements, and payments are chargeable as rent in the services and supplies expenditure category. Capital leases are treated similar to purchases on contract. The property is capitalized at the present value when the lease is incurred and a corresponding liability is recorded.

If the Oregon Legislature should disallow the necessary funding for particular leases, all lease agreements contain termination clauses which provide for cancellation of the lease at the end of a fiscal year.

The liability for capital leases of real and personal property is included in the financial report.

Lease obligations decrease each year because of lease expirations. It is expected these leases will be replaced with leases which have higher rental rates due to inflationary pressures.

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The minimum future lease payments of real and personal property for the next five years are (amounts in thousands):

	Operating Leases	Capital Leases			Total
		Long-Term Debt Account Group	Proprietary Funds	College and University Funds	
Fiscal year ending:					
June 30, 1991	\$17,923	\$2,700	\$3,671	\$1,734	\$ 8,105
June 30, 1992	15,171	2,222	1,948	1,243	5,413
June 30, 1993	12,847	1,254	1,445	982	3,681
June 30, 1994	7,383	528	856	586	1,970
June 30, 1995	5,273	100	207	105	412
Thereafter	36,179	-	-	9	9
Total Future Minimum Lease Payments	<u>\$94,776</u>	6,804	8,127	4,659	19,590
Less: Amounts Representing Interest		765	776	578	2,119
Present Value of Minimum Lease Payments		<u>\$6,039</u>	<u>\$7,351</u>	<u>\$4,081</u>	<u>\$17,471</u>

C. Encumbrances

Judicial Department outstanding encumbrances of \$3,229,360 are not shown in the Special Revenue Fund, Reserve for Encumbrance account because they would have put the Department's fund balance in a deficit position. Although these encumbrances are not shown on the financial statements, they are legal commitments of the Judicial Department relating to unperformed contracts for goods and services.

At June 30, 1990, \$5,735,095 of encumbrances were included in the total Fund Balance shown on the Combined Balance Sheet for Colleges and Universities.

D. Other Commitments

The Economic Development Department has signed contracts with local governments to fund projects. The contracts are in various stages of completion and payments may extend over one to two years. The total amount of the contracts is \$18,717,000.

As of June 30, 1990, commitments of the Mental Health and Developmental Disability Services Division for Community Services contracts, which were effective for fiscal years 1990 and 1991, are \$21,925,000 to be paid from Federal Funds, \$4,019,000 to be paid from Other Funds, and \$38,262,000 to be paid from the General Fund.

NOTE 8. INSURANCE

A. Risk Management

The Risk Management Division, Department of General Services, administers property and casualty insurance programs for State government. It is the policy of the Division not to purchase commercial insurance for most of the risks of losses to which the State is exposed. Instead, it believes it is more economical to manage State risks internally and set aside assets for claim settlement in an internal service fund, the Insurance Fund (IF). The IF was established under ORS Chapter 278. The IF services claims for direct physical loss or damage to state property; tort liability claims brought against the State and/or its officers, employees or agents; and covers all employees, elected officials, and members of boards and commissions for honesty and faithful performance. All State agencies, commissions and boards participate in the IF. The Division allocates the cost of providing claims servicing and claims payments, from the IF, by charging a premium to each state entity based on its share of paid costs for a prior period. The total statewide premium for each coverage is based on independent biennial actuarial forecasts, plus Division expenses, less carry-forward or equity in the IF.

The Division procures workers' compensation insurance for the State from the State Accident Insurance Fund Corporation (SAIF). Retrospective insurance plans were purchased for fiscal years 1987, 1989, and 1990. These plans are largely self-insurance with cash flow and investment earnings advantages. The IF reimburses SAIF for the State's workers' compensation claims costs, plus fees for SAIF's services. The plans generally do not close until the fifth annual audit following the end of the applicable fiscal year. The claim loss liability as of June 30, 1990, for the retrospective workers' compensation insurance plans is \$34,002,000.

IF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The IF liabilities are reported at present value, taking into account interest earnings, on a discounted basis. Discounting started as of the date of this statement. Contracted actuaries use the last 10 to 12 years of State claims data, plus projected numbers of employees, payroll, vehicles and other property to estimate claims and legal expenses that have been incurred but not reported and to forecast ultimate losses by line of coverage.

Changes in the balances of claims liabilities (in aggregate) during fiscal year 1989 and 1990 were as follows:

	<u>Beginning Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End (6/30)</u>
1988-1989	\$27,324,225	\$60,487,620	\$(20,750,778)	\$67,061,067
1989-1990*	\$67,061,067	\$15,140,906	\$(22,625,472)	\$59,576,501

* Difference from changing from undiscounted to discounted is \$13,852,549.

B. SAIF

The SAIF Corporation is an independent public corporation created by an act of the 1979 Oregon Legislature. SAIF was created for the purpose of transacting workers' compensation insurance and reinsurance business. SAIF is the largest workers' compensation insurer in the State of Oregon and furnishes contributing employers complete coverage for the benefit of employer as well as employees.

The financial activity for SAIF is accounted for in the Enterprise Fund. The liability for claim and claim adjustment expenses is based on past experience and includes provision for reported claims, claims incurred but not reported, and claims that are currently considered to be closed but which experience indicates will be reopened.

SAIF follows the practice of discounting claim reserves to their present value. SAIF follows the reserving methodology of discounting all indemnity at 7 percent and all medical at 3.5 percent. The discount reflected in the claim reserves at June 30, 1990 totaled \$589,774,000.

C. Supplemental Workers' Compensation Benefits

The Department of Insurance and Finance operates several supplemental workers' compensation benefit programs which are accounted for in the Special Revenue Fund. The primary program involved is the Retroactive Reserve, established by ORS 656.506 to provide increased benefits to claimants or their beneficiaries where current payment levels exceed those in effect at the time of injury.

Funding for these programs is through work day assessments on employers and contributions by workers, and workers' compensation insurance premium assessments. The Department manages the funding of these programs through cashflow projections based on historical data and economic forecasts.

Actuarially-computed long-term liabilities for these programs were not previously available. Long-term liabilities have been actuarially computed for 6-30-90 using the discounted cost valuation method and are reported in the General Long-Term Debt Account Group.

NOTE 9. LONG-TERM DEBT

Community College General Obligation Bonds

Constitutional amendment Article XI-G authorizes the issue of general obligation bonds with debt service funded by legislative General Fund appropriation, to finance designated educational buildings and facilities for community colleges. The bonds are accounted for in the General Long-Term Debt Account Group and the Debt Service Fund.

GENERAL OBLIGATION BONDS Debt Service Requirements to Maturity (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 1,240	\$ 1,385	\$ 2,625
1992	1,300	1,321	2,621
1993	1,375	1,254	2,629
1994	1,455	1,183	2,638
1995	1,535	1,109	2,644
Thereafter	<u>18,795</u>	<u>6,688</u>	<u>25,483</u>
Total	<u>\$25,700</u>	<u>\$12,940</u>	<u>\$38,640</u>

Higher Education General Obligation Project Bonds

Constitutional amendment Article XI-G authorizes the issue of general obligation bonds with debt service funded by legislative General Fund appropriation, to finance designated educational buildings and facilities for State colleges and universities. The bonds are accounted for in the Colleges and Universities Fund.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 3,354	\$ 2,318	\$ 5,672
1992	4,196	2,128	6,324
1993	4,440	1,891	6,331
1994	4,558	1,794	6,352
1995	4,769	1,598	6,367
Thereafter	<u>33,473</u>	<u>24,151</u>	<u>57,624</u>
Total	<u>\$54,790</u>	<u>\$33,880</u>	<u>\$88,670</u>

Oregon War Veterans' General Obligation Bonds

Article XI-A of the Oregon Constitution authorizes the issue of general obligation bonds to fund the Oregon Veterans' home loan program. The debt is self-liquidating and self-supporting. The bonds are accounted for in the Enterprise Fund.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 256,855	\$ 363,991	\$ 620,846
1992	262,520	346,450	608,970
1993	272,910	329,164	602,074
1994	278,715	311,442	590,157
1995	284,030	291,447	575,477
Thereafter	<u>3,608,733</u>	<u>2,795,901</u>	<u>6,404,634</u>
Total	<u>\$4,963,763</u>	<u>\$4,438,395</u>	<u>\$9,402,158</u>

Higher Education General Obligation Project Bonds (self-sustaining)

Constitutional Amendment XI-F authorizes the issue of general obligation bonds to finance the construction of self-liquidating and self-supporting projects for the State colleges and universities. The bonds are accounted for in the Colleges and Universities Fund.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 10,509	\$ 9,410	\$ 19,919
1992	10,640	8,943	19,583
1993	11,259	8,338	19,597
1994	11,367	7,965	19,332
1995	11,407	7,368	18,775
Thereafter	<u>129,657</u>	<u>133,422</u>	<u>263,079</u>
Total	<u>\$184,839</u>	<u>\$175,446</u>	<u>\$360,285</u>

Oregon State Highway General Obligation Bonds

Article XI, Section 7 of the Oregon Constitution authorizes the issue of general obligation bonds for highway construction. The debt service requirements are made from the Highway Fund. The bonds are accounted for in the General Long-Term Debt Account Group and the Debt Service Fund.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 3,300	\$1,143	\$ 4,443
1992	1,800	999	2,799
1993	1,800	904	2,704
1994	1,800	810	2,610
1995	1,800	715	2,515
Thereafter	<u>10,000</u>	<u>3,400</u>	<u>13,400</u>
Total	<u>\$20,500</u>	<u>\$7,971</u>	<u>\$28,471</u>

Elderly Housing General Obligation Bonds

Article XI-I of the Oregon Constitution authorizes the issue of general obligation bonds for financing multifamily housing for elderly and disabled persons. The program is a self-supporting loan program accounted for in the Enterprise Fund.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 670	\$ 9,828	\$ 10,498
1992	915	9,689	10,604
1993	1,005	9,622	10,627
1994	1,085	9,546	10,631
1995	1,170	9,464	10,634
Thereafter	<u>106,705</u>	<u>179,169</u>	<u>285,874</u>
Total	<u>\$111,550</u>	<u>\$227,318</u>	<u>\$338,868</u>

Water Resources General Obligation Bonds

Article XI-I of the Oregon Constitution authorizes the issue of general obligation bonds to fund loans to construct water development projects for irrigation drainage, fish protection, and watershed restoration. The program is self-supporting and accounted for in the Enterprise Fund. Certain provisions of the 1981 bond indenture conflict with State of Oregon statutes. Upon the advice of the Attorney General, the method of handling investment interest complies with the statutes rather than the bond indenture.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 1,318	\$ 1,461	\$ 2,779
1992	1,404	1,360	2,764
1993	1,438	1,251	2,689
1994	1,559	1,142	2,701
1995	1,611	1,085	2,696
Thereafter	<u>11,515</u>	<u>4,511</u>	<u>16,026</u>
Total	<u>\$18,845</u>	<u>\$10,810</u>	<u>\$29,655</u>

Alternate Energy General Obligation Bonds

Article XI-J of the Oregon Constitution authorizes the issue of general obligation bonds to fund loans for small scale local energy projects. The program is self-supporting and accounted for in the Enterprise Fund.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
(Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 5,875	\$ 14,447	\$ 20,322
1992	6,790	13,996	20,786
1993	7,500	13,453	20,953
1994	8,090	12,841	20,931
1995	8,225	12,192	20,417
Thereafter	<u>133,015</u>	<u>92,967</u>	<u>225,982</u>
Total	<u>\$169,495</u>	<u>\$159,896</u>	<u>\$329,391</u>

Pollution Control General Obligation Bonds

Article XI-H of the Oregon Constitution authorizes the issue of general obligation bonds for pollution abatement projects of State and local governments. Facilities acquired under this program are required to "conservatively appear" to be at least 70% self-supporting and self-liquidating from revenues, gifts, grants from the federal government, user charges, assessments and other fees. The bonds are accounted for in the Debt Service Fund and the General Long-Term Debt Account Group.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
(Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$10,825	\$ 6,226	\$ 17,051
1992	7,850	5,611	13,461
1993	7,900	5,124	13,024
1994	5,600	4,659	10,259
1995	5,650	4,236	9,886
Thereafter	<u>53,700</u>	<u>15,896</u>	<u>69,596</u>
Total	<u>\$91,525</u>	<u>\$41,752</u>	<u>\$133,277</u>

Oregon State Highway Revenue Bonds

ORS Chapter 367 authorizes the issue of revenue bonds for the modernization of State highways. The debt service payments are funded through the State Highway User Tax. The bonds are accounted for in the Debt Service Fund and the General Long-Term Debt Account Group.

REVENUE BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 6,700	\$ 4,618	\$ 11,318
1992	7,120	4,202	11,322
1993	7,570	3,746	11,316
1994	8,075	3,247	11,322
1995	8,615	2,702	11,317
Thereafter	<u>29,620</u>	<u>4,340</u>	<u>33,960</u>
Total	<u>\$67,700</u>	<u>\$22,855</u>	<u>\$90,555</u>

State Fair Bonds

ORS Chapter 565 authorizes the issue of revenue bonds for the acquisition, capital construction and improvements, and other expenses of the Oregon State Fair and Exposition Center. The debt service requirements are funded by the operating revenues of the State Fair and accounted for in the Enterprise Fund.

REVENUE BONDS
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 200	\$ 423	\$ 623
1992	215	411	626
1993	225	399	624
1994	235	385	620
1995	300	368	668
Thereafter	<u>4,955</u>	<u>2,473</u>	<u>7,428</u>
Total	<u>\$6,130</u>	<u>\$4,459</u>	<u>\$10,589</u>

Housing Revenue Bonds

ORS Chapter 456 authorizes the issue of revenue bonds to fund loans for lower income housing loans. The program is self-supporting and is accounted for in the Enterprise Fund.

REVENUE BONDS
Debt Service Requirements to Maturity
(Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 14,805	\$ 34,012	\$ 48,817
1992	15,190	33,423	48,613
1993	40,780	31,727	72,507
1994	16,995	30,928	47,923
1995	17,845	29,045	46,890
Thereafter	<u>361,604</u>	<u>470,287</u>	<u>831,891</u>
Total	<u>\$467,219</u>	<u>\$629,422</u>	<u>\$1,096,641</u>

Department of Motor Vehicles Certificates of Participation

ORS Chapter 283 authorizes the State to enter into financing agreements through the issuance of Certificates of Participation. The Department of Motor Vehicles issued Certificates of Participation for the acquisition of a computer system. The Certificates of Participation are accounted for in the General Long-Term Debt Account Group, Special Revenue Funds, and Debt Service Funds.

CERTIFICATES OF PARTICIPATION
Debt Service Requirements to Maturity
(Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 535	\$188	\$ 723
1992	565	156	721
1993	600	121	721
1994	635	84	719
1995	<u>675</u>	<u>44</u>	<u>719</u>
Total	<u>\$3,010</u>	<u>\$593</u>	<u>\$3,603</u>

Executive Department Certificates of Participation

ORS Chapter 283 authorizes the State to enter into financing agreements through the issuance of Certificates of Participation. The Executive Department issued Certificates of Participation for the acquisition of a computer system. The Certificates of Participation are accounted for in the Internal Service Funds.

CERTIFICATES OF PARTICIPATION
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ 462	\$126	\$ 588
1992	490	98	588
1993	525	68	593
1994	<u>555</u>	<u>35</u>	<u>590</u>
Total	<u>\$2,032</u>	<u>\$327</u>	<u>\$2,359</u>

Department of Fish and Wildlife Certificates of Participation

ORS Chapter 283 authorizes the State to enter into financing agreements through the issuance of Certificates of Participation. The Department of Fish and Wildlife issued Certificates of Participation for the acquisition of the Department's office building. The Certificates of Participation are accounted for in the Capital Projects Funds, Debt Service Funds, and the General Long-Term Debt Account Group.

CERTIFICATES OF PARTICIPATION
Debt Service Requirements to Maturity
 (Expressed in Thousands)

Maturity	Principal	Interest	Total
1991	\$ -	\$ 262	\$ 262
1992	65	262	327
1993	70	258	328
1994	75	254	329
1995	80	249	329
Thereafter	<u>3,450</u>	<u>2,776</u>	<u>6,226</u>
Total	<u>\$3,740</u>	<u>\$4,061</u>	<u>\$7,801</u>

Department of General Services Certificates of Participation

ORS Chapter 283 authorizes the State to enter into financing agreements through the issuance of Certificates of Participation. The Department of General Services issued Certificates of Participation for the construction of several State office buildings and for the acquisition of the State's telecommunication system. The Certificates of Participation are accounted for in the Internal Service Funds.

**CERTIFICATES OF PARTICIPATION
Debt Service Requirements to Maturity
(Expressed in Thousands)**

Maturity	Principal	Interest	Total
1991	\$ 1,935	\$ 3,355	\$ 5,290
1992	2,800	3,242	6,042
1993	2,975	3,075	6,050
1994	1,105	2,891	3,996
1995	1,185	2,821	4,006
Thereafter	<u>38,835</u>	<u>35,271</u>	<u>74,106</u>
Total	<u>\$48,835</u>	<u>\$50,655</u>	<u>\$99,490</u>

Department of Higher Education Certificates of Participation

ORS Chapter 283 authorizes the State to enter into financing agreements through the issuance of Certificates of Participation. The Department of Higher Education issued Certificates of Participation for the construction of a university building and for the acquisition of a computer system. The Certificates of Participation are accounted for in the College and University Funds.

**CERTIFICATES OF PARTICIPATION
Debt Service Requirements to Maturity
(Expressed in Thousands)**

Maturity	Principal	Interest	Total
1991	\$ 3,054	\$1,935	\$ 4,989
1992	4,355	1,713	6,068
1993	4,515	1,443	5,958
1994	4,690	1,157	5,847
1995	4,395	856	5,251
Thereafter	<u>10,250</u>	<u>1,239</u>	<u>11,489</u>
Total	<u>\$31,259</u>	<u>\$8,343</u>	<u>\$39,602</u>

STATE OF OREGON
SUMMARY OF CHANGES IN BONDED DEBT AND CERTIFICATES
OF PARTICIPATION OUTSTANDING

(Expressed in Thousands)

	DEBT OUTSTANDING JULY 1, 1989	DEBT INCURRED THIS YEAR	DEBT REDUCED THIS YEAR	DEBT OUTSTANDING JUNE 30, 1990
<u>General Obligation Bonds</u>				
General Fund Obligations				
Community College Bonds	\$ 27,490	\$ -	\$ 1,790	\$ 25,700
Higher Education Project Bonds	46,873	11,093	3,176	54,790
Total General Fund Obligations	74,363	11,093	4,966	80,490
Dedicated Fund Obligations				
Oregon Veterans' Welfare Bonds	5,198,603	-	234,840	4,963,763
Higher Education Project Bonds	150,174	49,643	14,978	184,839
Oregon State Highway Bonds	23,800	-	3,300	20,500
Elderly Housing Bonds	106,985	14,700	10,135	111,550
Water Resources Bonds	20,799	-	1,954	18,845
Alternate Energy Bonds	167,375	7,150	5,030	169,495
Pollution Control Bonds	102,325	-	10,800	91,525
Total Dedicated Fund Obligations	5,770,061	71,493	281,037	5,560,517
Total General Obligation Bonds	5,844,424	82,586	286,003	5,641,007
<u>Revenue Bonds</u>				
Oregon State Highway Bonds	74,020	-	6,320	67,700
State Fair Bonds	6,320	-	190	6,130
Housing Bonds	457,447	60,645	50,873	467,219
Total Revenue Bonds	537,787	60,645	57,383	541,049
<u>Certificates of Participation</u>				
Department of Motor Vehicles	-	3,010	-	3,010
Executive Department	-	2,032	-	2,032
Department of Fish and Wildlife	-	3,740	-	3,740
Department of General Services	6,954	43,375	1,494	48,835
Department of Higher Education	24,720	6,899	360	31,259
Total Certificates of Participation	31,674	59,056	1,854	88,876
Total Obligations	\$6,413,885	\$202,287	\$345,240	6,270,932
Bond Discount				(21,655)
Bond Premium				9,083
Accreted Interest				23,681
Matured Bonds and Coupons Payable				12,795
Total Liability Reported				\$6,294,836

Oregon Veterans' Welfare Demand Bonds

Included in long-term debt is \$370,000,000 of general obligation demand bonds backed by the full faith and credit of the State of Oregon. These bonds may be tendered by the bondholder on specified dates at a price equal to principal plus accrued interest.

The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at face value by periodically adjusting the interest rate. In the event the bonds cannot be remarketed, they will be purchased with funds from irrevocable letters of credit issued by four banks. The Fiscal Agent is entitled to draw an amount sufficient to pay the principal amount of the bonds delivered to it and up to 210 days of interest. The letters of credit are in effect through December 19, 1995, but may be extended upon the mutual agreement of the parties involved.

The principal amount of drawings made to pay the purchase price of tendered bonds that have not been remarketed is required to be repaid on or before the earliest of (a) the tenth anniversary of the date of the drawing, (b) the second anniversary of the termination of such bank's Letter of Credit, or (c) the date on which a Letter of Credit Event of Default has occurred.

Conversion of Bond Series 73 Oregon Veterans' Welfare Variable Rate Bonds

During the period from July 1989 through August 1989, The State converted its Series 73 A, B, C and D Oregon Veterans' Welfare Bonds from variable rate debt to fixed rate debt. These bonds, totalling \$370,000,000 in principal outstanding, were fixed at coupon interest rates ranging from 6.875 percent to 7.0 percent and have scheduled maturities ranging from the years 2011 to 2015.

During the period from September 1989 to November 1989, the Department changed the variable rate modes on its Series 73 E, F, G and H Oregon Veterans' Welfare Bonds to a seven-day variable rate. Previously, the Series 73 E and F Bonds, totalling \$185,000,000 in principal outstanding, were in a six-month variable rate mode, and the Series 73 G and H Bonds, totalling \$185,000,000 in principal outstanding, were in a one-year variable rate mode.

No-Commitment Bonds

No-commitment long-term debt refers to revenue bond debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State.

The Economic Development Department has issued \$369,277,000 of no-commitment long-term debt as of June 30, 1990. Of this amount, \$177,992,000 is still outstanding and is not included in the financial statements.

The Housing, Education and Cultural Facilities Authority (HECFA) has issued \$11,450,000 of no-commitment long-term debt as of June 30, 1990. Of this amount, \$11,450,000 is still outstanding and is not included in the financial statements.

Advance Refundings

From time to time the State issues new bonds to advance refund previously issued bonds in order to take advantage of lower interest rates. The money from the sale of the advance refunding bonds is placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The amount of such purchases including their interest rates and maturity dates has provided funds to pay the interest and

principal when due on the refunded bonds to and including the dates irrevocably fixed for redemption and to pay the principal amounts of the refunded bonds to be redeemed on such irrevocable redemption dates.

The trust account assets and liabilities for the defeased bonds are not included in the financial statements. On June 30, 1990, the following bonds outstanding were considered defeased:

Oregon Veterans' Welfare Bonds (Enterprise Fund) - \$231,600,000
Higher Education Project Bonds, XI-F (College and University Funds) - \$32,935,000
Higher Education Project Bonds, XI-G (College and University Funds) - \$16,335,000
Water Resources (Enterprise Fund) - \$15,330,000

Arbitrage Liability

The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings arising from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investment earnings in excess of the bond yield limitations are subject to rebate.

The arbitrage rebate liabilities for the following funds are included in the financial statements as of June 30, 1990:

Oregon Veterans' Welfare Tax Notes (Enterprise Fund) - \$3,683,000
Alternate Energy Bonds (Enterprise Fund) - \$20,000
Higher Education Project Bonds (College and University Funds) - \$981,000

NOTE 10. SHORT-TERM DEBT

At June 30, 1990, tax notes payable represents \$100,000,000 in State of Oregon, General Obligation, Veterans' Tax Notes Series 1989, dated November 1, 1989, and due November 1, 1990. The tax notes were issued at an average coupon rate of 6.75 percent. The tax notes were issued in order to provide funds to the Department to make property tax payments to the counties of the State on behalf of the Department's mortgagors.

NOTE 11. TAX REFUND PAYABLE

State Income Tax

The balance sheet for the General Fund includes as part of accounts and interest payable of \$57,869,000. This represents General Fund revenue collected during the 1987-89 biennium in excess of the Legislature's approved amount which has not already been returned to taxpayers in the form of a tax credit as of June 30, 1990.

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at June 30, 1990, follows:

(Expressed in Thousands)

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$212,614	\$ 89,533
Special Revenue Funds	63,448	107,236
Debt Service Funds	-	-
Capital Project Service Funds	4,802	558
Enterprise Funds	18,424	29,989
Internal Service Funds	68	125,143
Trust and Agency Funds	62,202	43,991
Colleges and University Funds	<u>35,041</u>	<u>142</u>
Total	<u>\$396,599</u>	<u>\$396,592</u>

NOTE 13. ADVANCES TO/FROM OTHER FUNDS

Advances are noncurrent loans within the reporting entity. The State of Oregon has arranged various advances between funds and account groups:

(Expressed in Thousands)

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$148,065	\$ 1,784
Special Revenue Funds	887	51,972
Debt Service Funds	-	10
Enterprise Funds	10,657	2,926
Internal Service Funds	-	4,900
Trust and Agency Funds	-	95,000
Colleges and University Funds	<u>-</u>	<u>2,652</u>
	<u>\$159,609</u>	<u>\$159,244</u>

The difference between the Advances To and Advances From is due to the fact that the moneys advanced from Mental Health earn interest while at the Housing Agency. The interest is restricted to be used for construction of group homes.

Senior Citizen's Tax Deferral

The General Fund has advanced to the Special Revenue Fund \$50,981,000 for the Senior Citizens Tax Deferral Program. To date no provision has been made to settle this advance. In addition, interest of \$22,525,000 has accrued. Because plans have not been made to repay the advance, the interest liability has not been included in the report.

NOTE 14. FUND EQUITY**A. Deficit Fund Balances and Retained Earnings**

The following enterprise funds showed a deficit retained earnings at June 30, 1990 (expressed in thousands):

Oregon State Lottery	\$1,313
Department of Water Resources	1,208

The following internal service funds showed a deficit retained earnings at June 30, 1990 (expressed in thousands):

Corrections Industries	\$ 829
Division of Audits	35
Department of Energy	189
Health Division	88

The following special revenue fund showed a deficit fund balance at June 30, 1990 (expressed in thousands):

Administration and Support Services	\$17,707
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B. College and University Fund Equity

College and University fund equity has been classified as restricted and unrestricted. A detail listing of College and University fund equity follows as of June 30, 1990:

(Expressed in Thousands)

Restricted:	
Endowment Reserves	\$ 17,766
Endowments	12,104
Term Endowments	30
Quasi-Endowments	16,044
Governmental Loan Funds	72,506
Institutional Loan Funds	6,130
Gifts, Grants and Contracts	<u>37,572</u>
Fund Balance - Restricted	<u>162,152</u>
Unrestricted:	
Designated Accounts	204,258
Quasi-Endowments	3,426
Endowment Reserves	591
Undesignated	2,559
Net Investment in Plant	<u>883,353</u>
Fund Balance - Unrestricted	<u>1,094,187</u>
Total Fund Equity	<u>\$1,256,339</u>

NOTE 15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The State maintains many enterprise activities which provide mortgage loans to veterans, mortgage loans to low income families and for multi-unit housing, health care, insurance, lotteries, liquor control, and other services. Segment information for the year ended June 30, 1990 was as follows:

(Expressed in Thousands)

	<u>Housing</u>	<u>Veterans' Affairs</u>	<u>Lottery</u>	<u>OLCC</u>	<u>SAIF</u>	<u>All Other</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 59,721	\$ 440,635	\$162,706	\$162,985	\$ 218,434	\$152,872	\$1,197,353
Depreciation and Amortization	693	385	452	286	3,778	2,751	8,345
Operating Income (Loss)	6,625	28,491	50,522	43,946	(90,055)	(47,975)	(8,446)
Operating Transfers In	-	-	-	-	-	62,834	62,834
Operating Transfers Out	251	-	51,476	41,913	-	39	93,679
Net Income (Loss)	5,921	28,491	76	2,068	20,542	14,804	71,902
Current Contributions:							
Residual Equity Transfers In	-	-	-	2	-	1,386	1,388
Residual Equity Transfers Out	-	-	-	7	-	9	16
Property, Land, and Equipment:							
Additions	120	67	849	527	1,875	2,798	6,236
Deletions	-	-	25	178	-	296	499
Net Working Capital	158,195	380,509	(4,641)	18,098	1,329,274	67,584	1,949,019
Total Assets	677,972	5,186,917	28,632	37,548	1,531,300	379,132	7,841,501
Bonds and Other Long-Term							
Liabilities:							
Payable from Operating							
Revenues	578,412	4,702,904	12,794	294	1,137,211	192,203	6,623,818
Total Equity	57,461	6,645	(1,313)	22,092	204,596	109,137	398,618

NOTE 16. OTHER FEDERAL PROGRAMS

A. Federal Commodities

The State receives and distributes surplus commodities from the federal government. The financial activity is not reported in the financial statements. Total commodities distributed during the year were valued at \$8,305,000. The balance on hand at June 30, 1990, is valued at \$881,000. Values are based on quantities times the current retail value of the commodity.

B. Food Stamps

The State distributes food stamps issued by the federal government. The value of the food stamps distributed is not in the financial statements. The total food stamps distributed for the year ended June 30, 1990, were \$157,984,000. The value of the food stamps on hand at June 30, 1990, was \$46,994,000.

C. Guaranteed Student Loans

Oregon acts as collection agent for defaulted Guaranteed Student loans. The outstanding receivable at June 30, 1990, was \$50,324,000, and is not included on the balance sheet.

NOTE 17. SUMMARY OF SIGNIFICANT CONTINGENCIES

A. Pending Litigation

Pending Litigation as of June 30, 1990 included:

1. **Alsea Veneer, Inc., et al v. State of Oregon, et al; ABC Roofing Co., Inc., et al v. State of Oregon, et al** - Two class action lawsuits were filed in September 1988, seeking damages in behalf of workers' compensation policyholders arising from the 1983 transfer of \$81 million from the Industrial Accident Fund to the State General Fund. The jury trial in December 1990 of these two consolidated cases resulted in a verdict in favor of the State of Oregon. In early 1991, that verdict was reduced to judgement. On March 12, 1991, the plaintiffs in both cases filed Notices of Appeal of the decision against them. At this time, no estimate is available concerning the potential liability of or range of potential loss to the General Fund. The Attorney General's Office is unable to predict the ultimate outcome of these lawsuits.
2. **Out of State Insurance Companies, et al v. State** - Out of State insurance companies filed petitions seeking rulings from the Oregon Insurance Commissioner that they were entitled to refunds on taxes paid on gross premiums. These claims aggregate in excess of \$30,000,000, as of June 30, 1990, for taxes paid through 1987. The Attorney General's Office is not able to predict the ultimate outcome of these claims.
3. **USA v. Oregon** - This case is pending in U.S. District Court, and is a challenge to conditions at Fairview Training Center. Although no damages are sought in this specific case, compliance with the injunction the plaintiff seeks would likely cost several million dollars a year. It is not possible to estimate the likelihood of an unfavorable outcome.
4. **Volk/Beverly Enterprises v. State** - On October 17, 1990, the Oregon Court of Appeals issued a decision upholding a Washington County Court decision adverse to the State. The case involves a challenge to the rates that the State pays nursing homes for caring for Medicaid patients. The court held that the challenged reimbursement plan was invalid due to the lack of findings, and that as a consequence, the care providers were entitled, for care given during the period from July 1, 1986, to June 30, 1987, to be reimbursed in accordance with the reimbursement schedule that was in effect prior to the agency's invalid establishment of the challenged reimbursement plan in August 1986. Subsequently, the parties entered into a settlement that is intended to resolve both Volk and the MCH Enterprises case reported in 5 below. Under that settlement agreement, the parties agreed to present a joint proposal to the 1991 Oregon Legislative Assembly to establish a new reimbursement plan for Medicaid care providers. In the event the legislature fails to ratify or authorize such a plan, the care providers may institute a new lawsuit, but under the settlement agreement, the care providers waive all claims for retrospective adjustment to their reimbursement.
5. **MCH Enterprises, Inc. v. Department of Human Resources (Formerly Francisco v. Department of Human Resources)** - This case is pending in U.S. District Court. This case is a challenge to rates paid long-term care facilities for Medicaid patient care. The same comments made below about Oregon Association of Hospitals are also applicable here, i.e., that a loss would have a considerable fiscal impact, but that the federal government would be responsible for the greater share. This case is part of the conditional settlement agreement described in 4 above, concerning the Volk/Beverly Enterprises case, and is likewise settled, subject to the plaintiffs' ability to institute a new lawsuit if the legislature does not accept or authorize a new reimbursement plan.
6. **Oregon Association of Hospitals v. Department of Human Resources** - This case is pending in U.S. District Court. This case is a challenge to rates paid to hospitals for caring for Medicare patients. A loss would have considerable fiscal impact. The federal government would be responsible

State of Oregon

for approximately 61% of the impact. It is not now possible to estimate the likelihood of an unfavorable outcome. This case tentatively has been settled pending the parties' request for action by the Oregon Legislative Assembly to increase hospital in-patient reimbursement for the care of Medicaid patients. Estimates are that the tentative settlement, if implemented, may cost approximately \$23.7 million in State funds over the next biennium. This settlement, however, also would settle the case of Oregon Association of Hospitals v. State of Oregon, reported as item 7 below.

7. **Oregon Association of Hospitals v. State** - This case seeks damages for services provided July 15, 1983 to September 30, 1985 to Medicaid patients. It also seeks damages for care provided to medically needy patients from January 1, 1984 to September 30, 1985. These two claims total approximately \$2 million. The Marion County Circuit Court granted the state's motion to dismiss the case in its entirety. The Plaintiffs have appealed, and the case is pending before the Oregon Court of Appeals. The Court of Appeals has stayed action on the appeal pending the pursuit of action by the Oregon Legislative Assembly to increase the reimbursement rates pursuant to the same proposed settlement discussed in item 6, above. Under the proposed settlement, the legislature would increase these rates prospectively, without retroactive effect.
8. **Gilbert Pacific Corp. v. Department of Transportation** - This case involves claims for delay and for additional work by a contractor on a State highway construction project. On March 30, 1990, the jury in this Linn County Circuit Court returned a verdict of approximately \$2 million against the State. In May 1990, the State appealed the trial court's judgment to the Oregon Court of Appeals. At this time it is not possible to estimate the probable outcome of the appeal.
9. **Smith v. Concannon, et al.** (U.S. District Ct. No. 89-853RB) is a class action that was filed on behalf of approximately 4,300 families that receive ADC benefits in Oregon. The complaint challenges Oregon administrative rules that require families, when they receive "lump sum" payments such as retroactive Social Security payments, to spend a certain amount of that income on medical expenses before they can become eligible for medical assistance. The lawsuit seeks an injunction, but no monetary damages. The impact is estimated to not exceed \$1 million. It is not now possible to assess a probable outcome of the case.
10. **Weiner v. Oregon Public Employees Retirement System (OPERS), et al.** - On September 28, 1990, the plaintiffs filed this complaint in Multnomah County Circuit Court, praying for damages of up to \$30 million against the Oregon Public Employees Retirement Fund (OPERF). Plaintiffs claim that the OPERS breached alleged agreements with plaintiffs when OPERS declined to enter into a business arrangement with plaintiffs to provide financing to develop certain downtown properties. At this stage, it appears that the claim is made primarily, if not exclusively against the OPERF. The money's in the fund are not part of the State's General Fund. It is not now possible to estimate a probable outcome of this litigation.
11. **Litigation on Oregon School Funding Distribution** - In December 1989, an association of Oregon school districts and others filed action in the Circuit Court for Marion County to require the State to provide a more equitable system of distributing funds among primary and secondary school districts. The plaintiffs claim that the present State system of school funding violates provisions of the Oregon Constitution which provide for a uniform system of common schools, and require general uniformity in taxation, as well as a provision that provides for equal privileges and immunities. The trial court dismissed the complaint June 13, 1990. The plaintiffs appealed this ruling in favor of the State to the Oregon Court of Appeals in late June 1990. On August 30, 1990, the Oregon Supreme Court accepted certification of the appeal in that case, thereby bypassing consideration of the appeal by the Oregon Court of Appeals. The court heard argument of the case on March 6, 1991, and the case is now under advisement. It is not possible at this time to estimate the monetary impact.

12. **Roe v. Miles Laboratories, Lovren and State of Oregon; Waage v. Miles Laboratories, Lovren and State of Oregon; and Cobb v. Mile Laboratories, Lovren and State of Oregon** - These are three separate lawsuits filed in the courts of the State of Alaska by hemophilia patients who allege that they contracted the Human Immunodeficiency Virus (HIV) from blood products provided to them under a program in which a State of Oregon medical care providing agency was involved. In each case, the plaintiff's complaint prays for \$10 million in damages. At this stage, it is not possible to estimate the probable outcome of these cases.
13. **Northwest Earthmovers, Inc. v. State** - In this case, which is pending in the Washington County Circuit Court, a highway construction contractor claims extra compensation for road construction work in the sum of \$1,283,614. The claim is based on a contract in which the Oregon Department of Transportation contracted for the work on behalf of Washington County. At this time, the probable outcome of the case cannot be predicted.
14. **United Employers Benefit Corp. v. Dept. of Insurance and Finance** - This case, filed in Multnomah Circuit Court, arises from the department's appointment as receiver to take over the operations of a health insurance company, Greater Oregon, that encountered financial difficulties. The plaintiff, United Employers Benefit Corporation (UEBC), engaged in "target marketing" to attract small businesses, many of whom had previously purchased insurance through UEBC, to switch their employee health plans from Greater Oregon to other companies. This created a risk that Greater Oregon would be pushed into insolvency and liquidation. Acting in his capacity as receiver and the State's insurance regulator, the director of the Department of Insurance and Finance ordered UEBC to cease its practice of target marketing. UEBC alleges that it lost \$2.8 million as a result of this order. The case recently was filed, and it is too early to offer an estimate regarding possible liability.
15. **Schmidt et al v. Long et al (U.S. District Ct. No. 90-64-6429-JO)** - This case has been filed in the U.S. District Court for the District of Oregon. The defendants are officials of the State Accident Insurance Fund Corporation and other Oregon officials. The plaintiffs are chiropractic practitioners who allege that the State officials undertook certain regulatory and other actions against the plaintiffs in retaliation for the plaintiff's political activities and exercise of certain political rights. Proceeding under federal civil rights laws and certain state statutory claims, the plaintiffs ask for damages of \$4,700,000 plus costs and attorney fees. The State has filed preliminary defensive motions in this case. At this time it is not possible to access the probable outcome of the case.
16. **Aggregate Claims Exceeding \$25 million against the State of Oregon** - In addition to the above cases, there were approximately 300 other tort cases pending against State defendants in early July 1989, in which the plaintiffs sought money damages. These cases all: (1) are pending in Oregon State courts; and thus (2) are subject to the liability limitations stated in the Tort Claims Act of \$500,000 per occurrence, \$200,000 per individual for physical injuries and \$50,000 for property damage. The likelihood of an unfavorable outcome in these cases ranges from probable to remote, but it is certain that the outcome in any one case cannot be more favorable than the Tort Claims Act limits. Considering all this, it is certain that these cases do not involve real exposure of \$25 million in the aggregate. In this regard, it might be worth noting that, during calendar 1987, the total amount that the State of Oregon paid out in settlements and judgments in tort cases handled by the Trial Division was just over \$2 million.

B. Unemployment Benefits

State departments are subject to the Department of Employment Act. State employees who qualify are entitled to benefit payments during periods of unemployment. Each State department is required to reimburse the Employment Division for benefit payments made to their former employees. There appears to be no practical method of estimating the amount of future benefit payments which may be made to

former employees for wage credits earned prior to June 30. Consequently, this potential obligation is not included in the accompanying financial statements.

The total expenditure for the year is \$4,123,000.

C. Federal Grants

The State of Oregon has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State of Oregon.

Institutions of higher education and other State agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Certain State agencies may not be in total compliance with these regulations. Failure to have complied with certain systems requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements.

The Job Training Partnership Act of 1982 (JTPA) requires all recipients to accept responsibility for repayment of federal funds that are expended in violation of its provisions. The potential liability to the federal government for repayment of potentially disallowed expenditures has been limited by an Attorney General Opinion to the current unaudited expenses - a 12 month period. The potential liability at June 30, 1990 was \$33,116,000.

D. Federal Repayment

Job Training Partnership Act - The State and the U.S. Department of Labor (DOL) entered into a settlement agreement on October 4, 1990, resolving the liability for the past violations. The State will repay DOL \$1,661,627 per a payment schedule covering the next three years. The Oregon Consortium, a subrecipient in the JTPA Program, through a memorandum of understanding, will repay \$680,000 of the \$1,661,627. The liability is reflected in the General Long-Term Debt Account Group.

Comprehensive Automated System for Client Assistance and Determination of Eligibility (Cascade) - The federal government has disallowed cost associated with the development of the Cascade system. On November 28, 1990, the State and the U.S. Department of Health and Human Services reached an agreement whereby the State will repay \$1,106,000. The liability is reflected in the General Long-Term Debt Account Group. The U.S. Department of Agriculture has also disallowed costs associated with the Cascade project. A final settlement has not been reached. An estimated loss of \$587,000 has been reported in the General Long-Term Debt Account Group.

E. Federal Claims

1. **Oregon Department of Human Resources v. HCFA** - This case is on administrative appeal before the federal Department of Health and Human Services Grant Appeals Board. HCFA has disallowed the state's financial participation for \$1,155,000 for a portion of compensation paid for housekeeper services to clients who qualify. It is not now possible to anticipate the probable outcome.
2. **Federal Disallowance Claims - Data Processing Subcontract** - The Oregon Department of Human Resources has appealed several disallowance notices received from various federal agencies. It is expected that one more disallowance will be received from a related federal agency

for the same issue. The issue is the allowability of federal financial participation in the costs of automated data processing services obtained under subcontract. The total of these claims is likely to be slightly in excess of \$3 million. It is not now possible to predict the outcome of the appeal.

3. **Federal Disallowance Claims - WIN/ERDC** - The Family Support Department of the Department of Health and Human Services has disallowed federal participation in the costs of day care payments made to former recipients of Aid to Dependent Children to enable them to retain employment. To date the disallowances total \$850,000. The Oregon Department of Human Resources has requested reconsideration of this decision. It is not now possible to predict the outcome of this case.

F. State Income Tax on Retirement Benefits

The State of Oregon Attorney General, in an opinion dated May 10, 1989, concluded there is a potential General Fund liability to Oregon taxpayers for income taxes paid on retirement income. Oregon has a State income tax law under which the benefits received by retirees in the Oregon Public Employees Retirement System (PERS) are exempt from State income tax, while federal retirement benefits paid to Oregon residents are not fully exempt.

House Bill 3508 was enacted by the 1989 Oregon Legislative Assembly to address this inequity so the State would not be liable for refunds to federal retirees for taxes paid in prior years. However, a group of federal retirees successfully sought a referendum to place the enactment before the Oregon voters, who rejected the legislation at the November 1990 general election.

Certain Oregon taxpayers who received federal retirement benefits that were subject to Oregon personal income tax filed a class action in the Oregon Tax Court on June 19, 1989. The plaintiffs sought refunds of Oregon income taxes paid on federal retirement benefits for the tax years 1979 to present. By order dated October, 1989, the Oregon Tax Court granted the State's motion to dismiss the federal retirees' claims. The plaintiffs appealed this order of dismissal to the Oregon Supreme Court. The case was argued before the Oregon Supreme Court on May 2, 1990, and is under advisement.

Although the Tax Court decided that no refunds are due for tax years 1988 and earlier years, this matter will not fully be resolved until cases in the Oregon Supreme Court and United States Supreme Court are decided. In addition, some 20,000 Oregon taxpayers have filed refund claims with the Oregon Department of Revenue for taxes paid to Oregon on federal retirement benefits since 1985.

NOTE 18. SUBSEQUENT EVENTS

A. Bond Issues

The following bonded debt has been incurred since June 30, 1990:

1. October 1990, Department of Higher Education, General Obligation Bonds, \$25,419,300.
2. November 1990, Department of Veterans' Affairs, General Obligation Bond Tax Notes, \$90,000,000.
3. October 1990, Department of Energy, General Obligation Bonds, \$20,430,000.
4. August 1990, Housing Agency, Single Family Mortgage Revenue Bonds, \$22,500,000.
5. September 1990, Housing Agency, General Obligation Bonds, \$20,000,000.
6. September 1990, Department of Environmental Quality, General Obligation Bonds, \$6,770,000.
7. September 1990, Certificates of Participation, \$82,320,000.
8. February 1991, Economic Development Bonds, \$4,165,000.

9. April 1991, Housing Agency, Single Family Mortgage Revenue Bonds, \$93,190,000.

B. Bond Calls

The Housing Agency called the following Single Family Mortgage Revenue Bonds prior to their maturity:

	<u>Issue Amount Outstanding</u>
July 1, 1990	11,675,000
December 14, 1990	13,907,000

The early redemption was financed from mortgage loan prepayments and excess moneys in the program reserve account.

C. Ballot Measure 5

Ballot Measure 5, which limits property tax rates imposed by local governments, was approved by voters in November 1990. The Measure, which takes affect in fiscal year 1991-92, will require increased use of State General Fund resources for education costs of school districts.

NOTE 19. CHANGES IN ACCOUNTING PRINCIPLES

The Risk Management Division, Department of General Services, changed claim cost valuation methods from the full cost method to the discounted method. This resulted in an increase in retained earnings of the Internal Service Funds in the amount of \$13,853,000.

NOTE 20. PRIOR PERIOD ADJUSTMENTS

A. The following is a summary of material errors over \$1 million occurring in the 1989 financial statements which were subsequently detected and corrected:

1. The Unemployment Fund (Expendable Trust Fund) recorded unemployment benefits on the cash basis until this year where they are reported on the modified accrual basis. The result is a prior period adjustment of \$5,097,000.
2. The Special Revenue Fund (Natural Resources Fund and Transportation Fund) corrected a number of errors which aggregate \$743,000 and \$3,584,000 respectively.
3. The State Accident Insurance Fund (Enterprise Fund) corrected an error of \$5,281,000 related to the amount of premium receivable previously reported for retrospectively rated policies.

B. In previous financial statements, the Department of Veterans' Affairs Conservatorship program was disclosed as an Agency Fund. For 1990, it was determined to be misclassified and is now included in the Expendable Trust Fund column.

NOTE 21. CASH FLOW STATEMENT - NONCASH TRANSACTIONS

Enterprise Funds - There were no material noncash transactions in the Enterprise Funds for the fiscal year.

Internal Service Funds - There was one material noncash transaction in the Internal Service Funds. A \$2,720,000 capital lease for computer equipment was entered into for the Human Resources Computer Center.

**Combining and Individual Fund and Account
Group Statements and Schedules**

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General Fund

The General Fund accounts for ordinary operations financed by appropriations from general revenues and used for general governmental purposes.

State of Oregon

**COMPARATIVE BALANCE SHEETS
GENERAL FUND
JUNE 30, 1990 and 1989
(Expressed in Thousands)**

	<u>JUNE 30</u>	
	<u>1990</u>	<u>1989</u>
<u>ASSETS</u>		
Cash and Investments	\$164,675	\$235,919
Accounts Receivable	12,622	12,097
Interfund Receivables	212,614	224,713
Taxes Receivable	223,961	193,894
Inventories	14,513	12,711
Prepaid Expenses	44	26
Advances to Other Funds	148,065	56,076
Total Assets	<u>\$776,494</u>	<u>\$735,436</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts and Interest Payable	\$212,592	\$358,020
Interfund Payables	89,533	76,050
Due to Other Governments	4,107	3,163
Advances from Other Funds	1,784	13,488
Deferred Revenue	148,776	120,776
Vacation Payable	5,485	5,048
Total Liabilities	<u>462,277</u>	<u>576,545</u>
Fund Balances:		
Reserved for Encumbrances	6,242	-
Reserved for Inventories	14,513	12,711
Reserved for Revolving Accounts	1	1
Reserved for Advances to Other Funds	148,065	53,220
Reserved - Other	44	26
Unreserved, Undesignated	145,352	92,933
Total Fund Balances	<u>314,217</u>	<u>158,891</u>
Total Liabilities and Fund Balances	<u>\$776,494</u>	<u>\$735,436</u>

The notes to the financial statements are an integral part of this report.

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1990 and 1989
(Expressed in Thousands)**

	<u>FISCAL YEAR ENDED JUNE 30</u>	
<u>Revenues:</u>	<u>1990</u>	<u>1989</u>
Taxes	\$2,225,123	\$1,848,957
Licenses and Fees	16,454	18,705
Federal	77	59
Charges for Services	2,829	2,889
Fines and Forfeitures	13,239	12,494
Rents and Royalties	148	118
Interest and Investment	35,737	27,682
Sales	2,437	2,261
Other	1,576	3,640
Total Revenues	<u>2,297,620</u>	<u>1,916,805</u>
<u>Expenditures:</u>		
Economic Development	24,486	26,265
Education	137,429	123,004
Human Resources	626,382	528,403
Natural Resources	35,434	27,991
Public Safety	74,185	60,825
Transportation	5,969	4,545
Administrative & Support Services	49,384	49,098
Legislative	14,028	20,270
Judicial	68,149	94,906
Total Expenditures	<u>1,035,446</u>	<u>935,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,262,174</u>	<u>981,498</u>
<u>Other Financing Sources (Uses):</u>		
Operating Transfers-in	28,990	29,992
Operating Transfers-out	(1,101,501)	(960,052)
Loan Repayments	5	224
Leases Incurred	1,549	3,359
Total Other Financing Sources (Uses)	<u>(1,070,957)</u>	<u>(926,477)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>191,217</u>	<u>55,021</u>
Fund Balances - Beginning	158,891	128,270
Prior Period Adjustments	(4,045)	(22,419)
Fund Balances - Beginning - As Restated	154,846	105,851
Increase (Decrease) in Reserves:		
Inventories	1,802	1,040
Advances to Other Funds	(406)	(3,009)
Other	18	(12)
Residual Equity Transfers-out	<u>(33,260)</u>	<u>-</u>
Fund Balances - Ending	<u>\$314,217</u>	<u>\$158,891</u>

The notes to the financial statements are an integral part of this report.

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Special Revenue Fund

Special Revenue Funds account for the proceeds of special revenue sources or to finance specified activities as required by law or administrative regulations.

State of Oregon

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1990
(Expressed in Thousands)**

	ECON. DEV. & CONSUMER SERVICES	EDUCATION	HUMAN RESOURCES	NATURAL RESOURCES
ASSETS				
Cash and Investments	\$242,628	\$ 6,541	\$ 84,839	\$56,083
Cash and Securities Held in Trust	50	-	-	-
Accounts Receivable	63,773	23,929	92,169	15,667
Interfund Receivables	12,503	9,172	12,334	9,066
Taxes Receivable	-	-	-	-
Inventories	1,038	924	1,495	8,199
Prepaid Expenses and Deferred Charges	75	3	6	9
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	5,965	-	12,362	2,466
Advances to Other Funds	-	-	-	237
Total Assets	\$326,032	\$40,569	\$203,205	\$91,727
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and Interest Payable	\$ 31,829	\$ 3,252	\$104,652	\$14,082
Interfund Payables	2,773	491	49,533	1,007
Due to Other Governments	11,328	21,672	610	6,959
Trust Funds Payable	56	1	43	224
Advances from Other Funds	-	-	246	-
Deferred Revenue	6,365	522	21,610	6,638
Vacation Payable	777	168	2,092	797
Total Liabilities	53,128	26,106	178,786	29,707
Fund Balances:				
Reserved for Encumbrances	264	8,838	790	4,803
Reserved for Inventories	1,038	924	1,495	8,199
Reserved for Revolving Accounts	205	10	324	251
Reserved for Loans Receivable	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	237
Reserved for Debt Service	-	-	-	-
Reserved for Trust Fund Principal	-	-	11	-
Reserved for Claim Loss Liability	182,958	-	-	-
Reserved - Other	75	3	6	9
Unreserved, Undesignated	88,364	4,688	21,793	48,521
Total Fund Balances	272,904	14,463	24,419	62,020
Total Liabilities and Fund Balances	\$326,032	\$40,569	\$203,205	\$91,727

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	JUNE 30	
					1990	1989
\$ 9,093	\$121,040	\$ 54,010	\$1,457	\$24,263	\$ 599,954	\$529,573
-	6,366	-	-	-	6,416	4,367
1,184	19,844	6,900	95	176	223,737	201,120
1,464	3,018	11,376	-	4,515	63,448	56,025
-	22,546	1,557	-	-	24,103	23,859
127	26,009	90	323	-	38,205	31,639
-	-	-	-	-	93	41
-	14,522	99,504	-	49,152	183,971	127,932
-	650	-	-	-	887	921
\$11,868	\$213,995	\$173,437	\$1,875	\$78,106	\$1,140,814	\$975,477
\$ 3,017	\$ 50,275	\$ 3,313	\$ 52	\$ 2,786	\$ 213,258	\$153,564
281	4,153	24,094	-	24,904	107,236	114,958
-	22,350	12,737	-	1,002	76,658	48,169
1,153	6,366	89	4	-	7,936	5,399
-	-	50,981	745	-	51,972	51,123
185	17,424	77	-	49,152	101,973	52,505
303	2,378	109	2	-	6,626	6,695
4,939	102,946	91,400	803	77,844	565,659	432,413
107	2,704	-	26	248	17,780	-
127	26,009	90	323	-	38,205	31,639
206	49	-	3	14	1,062	1,058
-	-	99,654	-	-	99,654	95,684
-	650	-	-	-	887	921
-	37	-	-	-	37	-
-	-	-	-	-	11	-
-	-	-	-	-	182,958	-
-	-	-	-	-	93	40
6,489	81,600	(17,707)	720	-	234,468	413,722
6,929	111,049	82,037	1,072	262	575,155	543,064
\$11,868	\$213,995	\$173,437	\$1,875	\$78,106	\$1,140,814	\$975,477

The notes to the financial statements are an integral part of this report.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	ECON. DEV & CONSUMER SERVICES	EDUCATION	HUMAN RESOURCES	NATURAL RESOURCES
<u>Revenues:</u>				
Taxes	\$268,600	\$ -	\$ -	\$ 8,444
Licenses and Fees	31,047	765	9,237	35,010
Federal	77,000	139,883	730,773	35,941
Charges for Services	6,432	4,596	14,579	10,869
Fines and Forfeitures	1,717	-	113	174
Rents and Royalties	(15)	87	68	436
Interest and Investment	18,861	782	660	934
Sales	2,831	3,595	4,252	31,441
Other	2,466	1,931	19,109	3,872
Total Revenues	408,939	151,639	778,791	127,121
<u>Expenditures:</u>				
Economic Development	258,281	-	-	-
Education	-	738,282	-	-
Human Resources	-	-	798,081	-
Natural Resources	-	-	-	129,716
Public Safety	-	-	-	-
Transportation	-	-	-	-
Administrative and Support Services	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Total Expenditures	258,281	738,282	798,081	129,716
Excess (Deficiency) of Revenues Over (Under) Expenditures	150,658	(586,643)	(19,290)	(2,595)
<u>Other Financing Sources (Uses):</u>				
Operating Transfers-in	31,686	588,961	35,690	30,275
Operating Transfers-out	(151,991)	(6,444)	(7,688)	(22,732)
Loan Repayments	2	5,185	-	234
Loan Proceeds	-	-	-	-
Bond/COP Proceeds	-	-	-	3,740
Leases Incurred	-	-	-	-
Total Other Financing Sources (Uses)	(120,303)	587,702	28,002	11,517
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	30,355	1,059	8,712	8,922
Fund Balances - Beginning	242,941	13,352	15,105	51,367
Prior Period Adjustments	1	-	452	743
Fund Balances - Beginning - As Restated	242,942	13,352	15,557	52,110
Increase (Decrease) in Reserves:				
Inventories	(286)	49	108	1,022
Revolving Accounts	-	-	-	-
Loans Receivable	-	-	-	-
Advances to Other Funds	-	-	-	(34)
Trust Funds	-	-	11	-
Other	50	3	(1)	-
Residual Equity Transfers-in	50	-	162	-
Residual Equity Transfers-out	(207)	-	(130)	-
Fund Balances - Ending	\$272,904	\$ 14,463	\$ 24,419	\$ 62,020

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED JUNE 30	
					1990	1989
\$ -	\$240,977	\$ 41,054	\$ -	\$ -	\$ 559,075	\$ 509,604
958	97,090	2,854	-	4,651	181,612	154,072
11,384	142,576	176,832	-	-	1,314,389	1,200,791
1,731	21,410	8,622	15	-	68,254	61,605
2,836	9	15	1	10,875	15,740	13,576
423	2,834	-	379	-	4,212	2,731
34	12,280	2,080	-	-	35,631	31,587
396	7,480	105	1,479	98	51,677	45,832
228	873	4,253	63	1,696	34,491	30,560
17,990	525,529	235,815	1,937	17,320	2,265,081	2,050,358
-	-	-	-	-	258,281	235,556
-	-	-	-	-	738,282	667,925
-	-	-	-	-	798,081	725,570
-	-	-	-	-	129,716	127,713
27,858	-	-	-	-	27,858	24,702
-	684,005	-	-	-	684,005	594,422
-	-	300,670	-	-	300,670	278,500
-	-	-	1,897	-	1,897	1,261
-	-	-	-	43,362	43,362	8,772
27,858	684,005	300,670	1,897	43,362	2,982,152	2,664,421
(9,868)	(158,476)	(64,855)	40	(26,042)	(717,071)	(614,063)
15,302	138,221	135,355	3	31,933	1,007,426	927,916
(581)	(24,006)	(81,373)	(508)	(5,822)	(301,145)	(317,378)
-	-	15,170	-	-	20,591	15,767
-	-	-	-	-	-	43
-	3,010	-	-	-	6,750	-
4	-	-	-	-	4	901
14,725	117,225	69,152	(505)	26,111	733,626	627,249
4,857	(41,251)	4,297	(465)	69	16,555	13,186
2,201	143,057	73,431	1,419	191	543,064	528,243
-	3,584	312	-	-	5,092	(3,569)
2,201	146,641	73,743	1,419	191	548,156	524,674
(129)	5,657	27	118	-	6,566	(1,099)
-	2	-	-	2	4	(152)
-	-	3,970	-	-	3,970	6,435
-	-	-	-	-	(34)	261
-	-	-	-	-	11	-
-	-	-	-	-	52	(3)
-	-	-	-	-	212	-
-	-	-	-	-	(337)	(238)
\$ 6,929	\$111,049	\$ 82,037	\$1,072	\$ 262	\$ 575,155	\$ 543,064

The notes to the financial statements are an integral part of this report.

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Debt Service Funds

Debt Service Funds account for the accumulation of resources for and the payment of interest and principal on long-term debt other than revenue bonds.

State of Oregon

**COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 1990
(Expressed in Thousands)**

	BOND/COP ISSUE					
	CUSTODIAL SECRETARY OF STATE	COMMUNITY COLLEGE & ED. CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY	FISH AND WILDLIFE	MOTOR VEHICLES DIVISION
ASSETS						
Cash and Investments	\$ -	\$388	\$87,493	\$5,431	\$336	\$241
Accounts Receivable	-	8	1,924	33	-	-
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	10	-	161	-	-	-
Total Assets	\$10	\$396	\$89,578	\$5,464	\$336	\$241
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and Interest Payable	\$ -	\$ 2	\$ 7	\$ -	\$ -	\$ -
Interfund Payables	-	-	-	-	-	-
Trust Funds Payable	-	-	-	-	15	11
Advances from General Fund	10	-	-	-	-	-
Matured Bonds and Coupons Payable	-	102	245	48	-	-
Total Liabilities	10	104	252	48	15	11
Fund Balances:						
Reserved for Loans Receivable	10	-	161	-	-	-
Reserved for Debt Service	(10)	292	89,165	5,416	321	230
Total Fund Balances	-	292	89,326	5,416	321	230
Total Liabilities and Fund Balances	\$10	\$396	\$89,578	\$5,464	\$336	\$241

<u>1990</u>	<u>JUNE 30</u>	<u>1989</u>
\$93,889		\$ 98,648
1,965		2,312
171		4,366
<u>\$96,025</u>		<u>\$105,326</u>

\$ 9	\$ 9
-	3
26	-
10	15
<u>395</u>	<u>736</u>
440	763

171	4,366
<u>95,414</u>	<u>100,197</u>
95,585	104,563
<u>\$96,025</u>	<u>\$105,326</u>

The notes to the financial statements are an integral part of this report.

State of Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1990 (Expressed in Thousands)

	BOND/COP ISSUE					
	CUSTODIAL SECRETARY OF STATE	COMMUNITY COLLEGE & ED. CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY	FISH AND WILDLIFE	MOTOR VEHICLES DIVISION
<u>Revenues:</u>						
Interest and Investment	\$ -	\$ 26	\$ 7,375	\$ 736	\$ 7	\$ -
Total Revenues	-	26	7,375	736	7	-
<u>Expenditures:</u>						
Debt Service						
Principal	-	1,790	10,800	9,620	-	-
Interest	-	1,432	6,834	6,295	-	-
Other	-	2	7	-	-	-
Total Expenditures	-	3,224	17,641	15,915	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,198)	(10,266)	(15,179)	7	-
<u>Other Financing Sources (Uses):</u>						
Operating Transfers-in	-	3,489	-	15,655	314	230
Operating Transfers-out	-	-	(30)	-	-	-
Loan Repayments	5	-	4,191	-	-	-
Total Other Financing Sources (Uses)	5	3,489	4,161	15,655	314	230
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5	291	(6,105)	476	321	230
Fund Balances Beginning	-	1	99,622	4,940	-	-
Prior Period Adjustments	-	-	-	-	-	-
Fund Balances - Beginning - As Restated	-	1	99,622	4,940	-	-
Increase (Decrease) in Reserves:						
Loans Receivable	(5)	-	(4,191)	-	-	-
Fund Balances - Ending	\$ -	\$ 292	\$89,326	\$ 5,416	\$321	\$230

FISCAL YEAR ENDED	
JUNE 30	
1990	1989
\$ 8,144	\$ 9,951
<u>8,144</u>	<u>9,951</u>
22,210	20,720
14,561	15,618
9	39
<u>36,780</u>	<u>36,377</u>
(28,636)	(26,426)
19,688	18,190
(30)	(39)
4,196	509
<u>23,854</u>	<u>18,660</u>
(4,782)	(7,766)
104,563	113,640
-	(827)
104,563	112,813
(4,196)	(484)
<u>\$ 95,585</u>	<u>\$104,563</u>

The notes to the financial statements are an integral part of this report.

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Capital Projects Funds

Capital Projects Funds account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by Proprietary and Trust Funds.

State of Oregon

**COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 1990
(Expressed in Thousands)**

	<u>ECON. DEV. & CONSUMER SERVICES</u>	<u>EDUCATION</u>	<u>HUMAN RESOURCES</u>	<u>NATURAL RESOURCES</u>
ASSETS				
Cash and Investments	\$64	\$190	\$25,590	\$402
Accounts Receivable	-	390	1	-
Interfund Receivables	-	-	4,615	72
Prepaid Expenses	-	-	-	-
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	-	-	-	-
Total Assets	<u>\$64</u>	<u>\$580</u>	<u>\$30,206</u>	<u>\$474</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and Interest Payable	\$ 6	\$ 29	\$ 9,420	\$400
Interfund Payables	-	390	101	67
Deferred Revenue	-	-	-	-
Vacation Payable	-	-	2	-
Total Liabilities	<u>6</u>	<u>419</u>	<u>9,523</u>	<u>467</u>
Fund Balances:				
Reserved for Encumbrances	58	161	20,683	7
Reserved for Loans Receivable	-	-	-	-
Reserved - Other	-	-	-	-
Unreserved, Undesignated	-	-	-	-
Total Fund Balances	<u>58</u>	<u>161</u>	<u>20,683</u>	<u>7</u>
Total Liabilities and Fund Balances	<u>\$64</u>	<u>\$580</u>	<u>\$30,206</u>	<u>\$474</u>

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	JUNE 30	
					1990	1989
\$461	\$133	\$ -	\$ -	\$ -	\$26,840	\$ 335
-	222	-	-	-	613	143
21	90	-	4	-	4,802	32,741
-	-	-	-	-	-	44
-	-	-	-	-	-	38
<u>\$482</u>	<u>\$445</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$32,255</u>	<u>\$33,301</u>
\$ 21	\$338	\$ -	\$ 4	\$ -	\$10,218	\$ 2,086
-	-	-	-	-	558	564
-	-	-	-	-	-	6
-	-	-	-	-	2	-
<u>21</u>	<u>338</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>10,778</u>	<u>2,656</u>
-	107	-	-	-	21,016	-
-	-	-	-	-	-	38
-	-	-	-	-	-	44
461	-	-	-	-	461	30,563
<u>461</u>	<u>107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,477</u>	<u>30,645</u>
<u>\$482</u>	<u>\$445</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$32,255</u>	<u>\$33,301</u>

The notes to the financial statements are an integral part of this report.

State of Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1990 (Expressed in Thousands)

	ECON. DEV. & CONSUMER SERVICES	EDUCATION	HUMAN RESOURCES	NATURAL RESOURCES
<u>Revenues:</u>				
Federal	\$ -	\$ 321	\$ -	\$ 2,327
Charges for Services	-	-	2	-
Rents and Royalties	-	-	-	-
Interest and Investment	-	-	2,391	-
Sales	-	281	-	-
Other	179	-	-	-
Total Revenues	179	602	2,393	2,327
<u>Expenditures:</u>				
Capital Outlay	172	2,801	34,263	8,788
Total Expenditures	172	2,801	34,263	8,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	7	(2,199)	(31,870)	(6,461)
<u>Other Financing Sources (Uses):</u>				
Operating Transfers-in	-	2,360	22,055	6,478
Operating Transfers-out	-	-	-	-
Total Other Financing Sources (Uses)	-	2,360	22,055	6,478
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	7	161	(9,815)	17
Fund Balances - Beginning	51	-	30,498	51
Prior Period Adjustments	-	-	-	(17)
Fund Balances - Beginning - As Restated	51	-	30,498	34
Increase (Decrease) in Reserves:				
Loans Receivable	-	-	-	-
Other	-	-	-	(44)
Fund Balances - Ending	\$ 58	\$ 161	\$20,683	\$ 7

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED JUNE 30	
					1990	1989
\$ 57	\$ 834	\$ -	\$ -	\$ -	\$ 3,539	\$ 1,522
-	-	-	-	-	2	11
-	-	-	-	-	-	3
18	-	-	-	-	2,409	2
541	-	-	-	-	822	-
-	3	-	-	-	182	25
616	837	-	-	-	6,954	1,563
690	5,472	-	1,701	-	53,887	20,984
690	5,472	-	1,701	-	53,887	20,984
(74)	(4,635)	-	(1,701)	-	(46,933)	(19,421)
532	4,744	-	1,699	-	37,868	49,814
(2)	(2)	-	-	-	(4)	(44)
530	4,742	-	1,699	-	37,864	49,770
456	107	-	(2)	-	(9,069)	30,349
43	-	-	2	-	30,645	252
-	-	-	-	-	(17)	-
43	-	-	2	-	30,628	252
(38)	-	-	-	-	(38)	-
-	-	-	-	-	(44)	44
\$461	\$ 107	\$ -	\$ -	\$ -	\$21,477	\$30,645

The notes to the financial statements are an integral part of this report.

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Enterprise Funds

Enterprise Funds account for the provision of goods and services to the general public where all or most of the costs involved are paid in the form of charges by the users of such services.

State of Oregon

**COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1990
(Expressed in Thousands)**

<u>ASSETS</u>	<u>HOUSING</u>	<u>VETERANS' AFFAIRS</u>	<u>STATE HOSPITALS</u>	<u>STATE LOTTERY</u>
Current Assets:				
Cash and Investments	\$191,179	\$ 808,562	\$11,576	\$8,177
Accounts Receivable	5,907	40,288	30,723	3,659
Interfund Receivables	-	92	17,154	-
Inventories	7	76	4,145	506
Prepaid Expenses	1	-	10	168
Advances to Other Funds	-	-	-	-
Foreclosed and Deeded Property	3,200	8,859	-	-
Total Current Assets	200,294	857,877	63,608	12,510
Total Fixed Assets (Net of Accumulated Depreciation/Amortization)	140	6,913	20,261	1,884
Other Assets:				
Restricted Assets-Cash and Investments	53,024	620,846	-	-
Securities Held in Trust	-	-	-	14,238
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	415,607	3,695,241	1	-
Advances to Other Funds	-	-	-	-
Deferred Charges	8,907	6,040	-	-
Total Other Assets	477,538	4,322,127	1	14,238
Total Assets	\$677,972	\$5,186,917	\$83,870	\$28,632
<u>LIABILITIES AND FUND EQUITY</u>				
Current Liabilities:				
Accounts and Interest Payable	\$ 22,799	\$ 113,696	\$27,758	\$ 5,739
Interfund Payables	-	-	17,624	9,928
Due to Other Governments	-	-	-	-
Matured Bonds and Coupons Payable	3,599	6,353	-	-
Bonds Payable-Current	15,485	257,090	-	-
Notes Payable	-	100,128	-	-
Deferred Revenue	143	-	-	1,275
Vacation Payable-Current	73	101	1,404	209
Total Current Liabilities	42,099	477,368	46,786	17,151
Long-Term Liabilities:				
Contracts, Mortgages and Notes Payable	-	-	-	12,794
Obligations Under Capital Lease	10	-	443	-
Advances from Other Funds	119	-	1,454	-
Bonds Payable-Noncurrent	578,283	4,702,600	-	-
Vacation Payable-Noncurrent	-	304	3,834	-
Claim Loss Liability	-	-	-	-
Total Long-Term Liabilities	578,412	4,702,904	5,731	12,794
Total Liabilities	620,511	5,180,272	52,517	29,945
Fund Equity:				
Contributed Capital	100	-	720	-
Unrealized Gain on Investments	-	-	-	-
Retained Earnings - Reserved	-	6,645	-	(1,313)
Retained Earnings - Unreserved	57,361	-	30,633	-
Total Fund Equity	57,461	6,645	31,353	(1,313)
Total Liabilities and Fund Equity	\$677,972	\$5,186,917	\$83,870	\$28,632

State of Oregon

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	ECONOMIC DEVELOPMENT	STATE ACC. INSURANCE	OTHER ENTERPRISE	JUNE 30	
						1990	1989
\$16,212	\$ 35,698	\$ 2,172	\$29,672	\$1,315,671	\$ 5,799	\$2,424,718	\$2,049,973
144	1,695	139	575	203,096	297	286,523	322,091
-	-	-	1,024	-	154	18,424	14,168
16,827	-	-	-	-	4,412	25,973	25,331
77	-	-	-	-	38	294	179
-	-	-	-	-	-	-	11,474
-	-	93	-	-	-	12,152	23,329
33,260	37,393	2,404	31,271	1,518,767	10,700	2,768,084	2,446,545
4,037	14	8	52	12,533	13,310	59,152	61,280
-	8,006	3,750	-	-	1,143	686,769	801,154
-	-	-	-	-	-	14,238	6,008
251	133,677	12,051	23,601	-	6,970	4,287,399	4,580,610
-	10,657	-	-	-	-	10,657	8,170
-	-	-	-	-	255	15,202	9,681
251	152,340	15,801	23,601	-	8,368	5,014,265	5,405,623
\$37,548	\$189,747	\$18,213	\$54,924	\$1,531,300	\$32,378	\$7,841,501	\$7,913,448
\$ 9,691	\$ 7,389	\$ 274	\$ 115	\$ 71,894	\$ 678	\$ 260,033	\$ 207,340
2,241	-	-	1	-	195	29,989	36,717
2,588	13,145	-	458	-	-	16,191	26,500
-	305	197	-	-	-	10,454	10,213
-	5,875	1,318	-	-	200	279,968	280,769
-	-	-	-	-	-	100,128	135,000
473	-	102	-	117,161	684	119,838	72,083
169	16	1	7	438	46	2,464	3,779
15,162	26,730	1,892	581	189,493	1,803	819,065	772,401
-	20	-	-	-	11	12,825	6,018
-	-	-	-	-	-	453	7
-	-	-	1,329	-	24	2,926	6,292
-	161,549	17,527	-	-	5,877	5,465,836	5,681,284
294	5	2	20	1,316	108	5,883	3,959
-	-	-	-	1,135,895	-	1,135,895	1,120,953
294	161,574	17,529	1,349	1,137,211	6,020	6,623,818	6,818,513
15,456	188,304	19,421	1,930	1,326,704	7,823	7,442,883	7,590,914
2	-	-	4,121	-	11,174	16,117	11,553
-	-	-	-	15,869	-	15,869	14,291
-	1,443	(1,208)	48,873	-	-	54,440	-
22,090	-	-	-	188,727	13,381	312,192	296,690
22,092	1,443	(1,208)	52,994	204,596	24,555	398,618	322,534
\$37,548	\$189,747	\$18,213	\$54,924	\$1,531,300	\$32,378	\$7,841,501	\$7,913,448

The notes to the financial statements are an integral part of this report.

State of Oregon

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 1990 (Expressed in Thousands)

	HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
<u>Operating Revenues:</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	530	1,562	-	-
Federal	-	-	379	-
Charges for Services	-	-	207,314	-
Fines and Forfeitures	-	-	2	-
Rents and Royalties	682	-	116	-
Interest and Investment	55,470	428,194	-	-
Sales	-	-	427	161,572
Other	90	-	290	1,134
Gain (Loss) on Foreclosed Property (Net of Applicable Acquisition/Disposal Costs)	460	4,126	-	-
Gain (Loss) on Sale of Investments	2,489	6,753	-	-
Fees Waived	-	-	(90,662)	-
Total Operating Revenues	59,721	440,635	117,866	162,706
<u>Operating Expenses:</u>				
Salaries and Wages	1,373	8,601	145,477	4,266
Services and Supplies	3,435	10,489	20,891	22,323
Cost of Sales	-	-	-	-
Special Payments	-	-	-	85,143
Interest	47,445	382,559	-	-
Distribution to Governments	-	-	-	-
Depreciation and Amortization	693	385	1,942	452
Bad Debt	150	10,110	-	-
Total Operating Expenses	53,096	412,144	168,310	112,184
Operating Income (Loss)	6,625	28,491	(50,444)	50,522
<u>Nonoperating Revenues (Expenses):</u>				
Interest Revenue	-	-	360	1,030
Interest Expense	-	-	-	-
Gain (Loss) - Other	-	-	(99)	-
Total Nonoperating Revenues (Expenses)	-	-	261	1,030
Income Before Operating Transfers-in(out)	6,625	28,491	(50,183)	51,552
Operating Transfers-in	-	-	54,654	-
Operating Transfers-out	(251)	-	(15)	(51,476)
Net Income (Loss) Before Extraordinary Items and Accounting Change	6,374	28,491	4,456	76
Extraordinary Gain (Loss)	(453)	-	-	-
Net Income (Loss)	5,921	28,491	4,456	76
Fund Equity - Beginning	51,690	(21,846)	26,734	(1,389)
Prior Period Adjustments	(150)	-	22	-
Fund Equity - Beginning - As Restated	51,540	(21,846)	26,756	(1,389)
Unrealized Gain on Investments	-	-	-	-
Residual Equity Transfers-in	-	-	141	-
Residual Equity Transfers-out	-	-	-	-
Fund Equity - Ending	\$57,461	\$ 6,645	\$ 31,353	\$ (1,313)

State of Oregon

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	ECONOMIC DEVELOPMENT	STATE ACQ. INSURANCE	OTHER ENTERPRISE	FISCAL YEAR ENDED JUNE 30	
						1990	1989
\$ 10,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,797	\$ 10,861
2,011	34	40	1	-	2	4,180	4,049
-	-	-	-	-	-	379	287
43	10	-	44	213,133	2,819	423,363	418,599
85	-	2	-	4,105	1	4,195	1,766
-	-	-	-	-	1,299	2,097	1,941
-	17,086	1,763	3,637	-	307	506,457	515,091
150,045	-	-	-	-	7,553	319,597	305,871
4	38	3	3	1,196	834	3,592	4,422
-	-	(310)	-	-	-	4,276	4,949
-	-	-	-	-	(160)	9,082	2,557
-	-	-	-	-	-	(90,662)	(73,702)
162,985	17,168	1,498	3,685	218,434	12,655	1,197,353	1,196,691
8,819	529	87	718	37,699	5,570	213,139	186,656
14,339	362	85	296	31,132	5,935	109,287	107,601
79,637	-	-	-	-	23	79,660	76,321
-	-	-	75	233,171	207	318,596	374,691
-	14,638	1,561	-	-	-	446,203	458,700
15,958	-	-	1,642	-	-	17,600	18,715
286	7	2	8	3,778	792	8,345	6,544
-	-	-	-	2,709	-	12,969	20,600
119,039	15,536	1,735	2,739	308,489	12,527	1,205,799	1,249,828
43,946	1,632	(237)	946	(90,055)	128	(8,446)	(53,137)
23	-	-	-	110,597	201	112,211	106,961
-	-	-	-	-	(435)	(435)	-
12	-	-	-	-	(43)	(130)	(239)
35	-	-	-	110,597	(277)	111,646	106,722
43,981	1,632	(237)	946	20,542	(149)	103,200	53,585
-	-	-	7,168	-	1,012	62,834	116,493
(41,913)	-	-	-	-	(24)	(93,679)	(178,398)
2,068	1,632	(237)	8,114	20,542	839	72,355	(8,320)
-	-	-	-	-	-	(453)	(12,448)
2,068	1,632	(237)	8,114	20,542	839	71,902	(20,768)
20,029	(189)	(1,301)	43,984	181,147	23,675	322,534	329,408
-	-	-	-	1,329	31	1,232	9,137
20,029	(189)	(1,301)	43,984	182,476	23,706	323,766	338,545
-	-	-	-	1,578	-	1,578	4,308
2	-	330	896	-	19	1,388	575
(7)	-	-	-	-	(9)	(16)	(126)
\$ 22,092	\$ 1,443	\$ (1,208)	\$52,994	\$204,596	\$24,555	\$ 398,618	\$ 322,534

The notes to the financial statements are an integral part of this report.

State of Oregon

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
Operating Income (Loss)	\$ 6,625	\$ 28,491	\$(50,444)	\$50,522
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Depreciation and Amortization	37	385	1,942	452
Amortization of Bond Premium/Discount	58	(621)	-	-
Amortization of Investment Premium/Discount	(192)	(7,147)	-	-
Amortization of Deferred Charges	656	403	-	-
Bad Debt Expense	-	10,110	-	-
Residual Equity Transfers	-	-	2	-
Gain/Loss on Sale of Investments	(2,489)	(6,753)	-	-
Gain/Loss - Other	2	2	1	25
Interest Income - Difference Between				
Cash and Accrual Basis	-	-	-	-
Accreted Interest on Bonds Payable	3,152	1,354	-	-
Negotiated Loan Discount	-	100	-	-
Prior Period Adjustments Affecting Operating Income	-	-	31	-
Interest Received on Investments Reported				
as Operating Income/(Loss)	(13,443)	(102,025)	-	-
Interest Payments Reported as				
Operating Income/(Loss)	42,697	273,637	-	-
Deferred Charges reported as Loss on Bond Call	(453)	-	-	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	319	63,056	(8,736)	2,082
(Increase)/Decrease in Interfund Receivables	7	(858)	(5,276)	-
(Increase)/Decrease in Inventories	(1)	2	(150)	112
(Increase)/Decrease in Prepaid Expenses	10	-	(9)	(46)
(Increase)/Decrease in Foreclosed Property	1,378	9,732	-	-
(Increase)/Decrease in Securities Held in Trust	-	-	-	(8,230)
(Increase)/Decrease in Contracts, Mortgages, and Notes Receivable	8,081	285,962	(1)	-
(Increase)/Decrease in Deferred Charges	352	-	-	-
Increase/(Decrease) in Accounts and Interest Payable	1,604	(8,723)	20,401	(1,367)
Increase/(Decrease) in Interfund Payables	(8)	-	82	(3,274)
Increase/(Decrease) in Due to Other Governments	-	-	-	-
Increase/(Decrease) in Claim Loss Liability	-	-	-	-
Increase/(Decrease) in Matured Bonds Payable	3,117	(3,285)	-	-
Increase/(Decrease) in Vacation Payable	15	(48)	318	35
Increase/(Decrease) in Deferred Revenue	143	-	-	(1,068)
Increase/(Decrease) in Contracts, Mortgages, and Notes Payable	-	-	-	7,420
Increase/(Decrease) in Advances From Other Funds	(2,743)	-	-	-
Total Adjustments	42,299	515,283	8,605	(3,859)
Net Cash Provided/(Used) in Operating Activities	48,924	543,774	(41,839)	46,663
Cash Flows from Noncapital Financing Activities:				
Proceeds from Bond/COP Sales	75,345	100,383	-	-
Principal Payments on Bonds/COPs	(61,008)	(234,840)	-	-
Interest Payments on Bonds/COPs	(42,697)	(273,637)	-	-
Repayment of Notes and Advances	-	(135,000)	(81)	-
Operating Transfers-in	(251)	-	54,654	-
Operating Transfers-out	-	-	(15)	(51,476)
Advances From Other Funds	-	-	342	-
Collections on Advances to Other Funds	-	11,474	-	-
Prior Period Adjustment	(151)	-	-	-
Bond Issue Costs	(1,308)	-	-	-
Unamortized Remarketing Fees	-	(5,601)	-	-
Net Cash Provided/(Used) in Noncapital Financing Activities	(30,070)	(537,221)	54,900	(51,476)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(120)	(67)	(1,673)	(849)
Principal and Interest on Bonds Payable	-	-	-	-
Proceeds from Disposition of Capital Assets	-	10	-	-
Payments on Capital Leases	(3)	-	(172)	-
Net Cash Provided/(Used) in Capital and Related Financing Activities	(123)	(57)	(1,845)	(849)
Cash Flows from Investing Activities:				
Purchases of Investments	(910,134)	(4,332,277)	-	-
Proceeds from Sales and Maturities of Investments	923,055	4,435,044	-	-
Change in Definition of Cash Equivalents	6,003	-	-	-
Interest on Investments and Cash Balances	13,443	111,193	360	1,030
Net Cash Provided/(Used) in Investing Activities	32,367	213,960	360	1,030
Net Increase/(Decrease) in Cash	51,098	220,456	11,576	(4,632)
Cash Balance at June 30, 1989	34,589	494,186	(4)	12,809
Cash Balance at June 30, 1990	\$ 85,687	\$ 714,642	\$11,572	\$ 8,177

State of Oregon

						FISCAL YEAR ENDED
LIQUOR COMMISSION	ENERGY	WATER RESOURCES	ECONOMIC DEVELOPMENT	STATE ACC. INSURANCE	OTHER ENTERPRISE	JUNE 30 1990
\$43,946	\$ 1,632	\$ (237)	\$ 946	\$ (90,055)	\$ 128	\$ (8,446)
286	7	2	8	3,786	792	7,697
-	213	-	-	-	3	(347)
-	226	-	-	(561)	-	(7,674)
-	-	-	-	-	-	1,059
-	-	-	896	-	-	10,110
-	-	-	-	-	-	898
-	-	-	-	-	-	(9,242)
-	-	-	-	-	-	30
-	-	-	-	2,268	-	2,268
-	-	-	-	-	-	4,506
-	-	-	-	-	-	100
-	-	-	-	1,329	31	1,391
-	(4,590)	(473)	-	-	(178)	(120,709)
-	14,425	1,617	-	-	-	332,376
-	-	-	-	-	-	(453)
323	(345)	(31)	160	(20,491)	133	36,470
(703)	-	-	849	-	140	(5,138)
(38)	-	-	-	-	98	(642)
-	-	66	-	-	(32)	(115)
-	-	-	-	-	-	11,176
-	(4,031)	1,665	(7,114)	-	(1,493)	(8,230)
-	(2,487)	-	-	-	16	283,069
1,202	57	-	(944)	-	(416)	(2,119)
(3,485)	-	(13)	(55)	40,856	4	52,670
109	(10,876)	-	458	-	-	(6,749)
-	-	-	-	14,942	-	(10,309)
-	28	123	-	-	-	14,942
48	1	(1)	(26)	231	36	240
(1)	-	3	(2)	48,563	117	609
-	20	-	-	-	-	47,755
-	-	-	(896)	-	-	7,440
(2,259)	(7,095)	2,958	(6,666)	90,923	(749)	(3,639)
41,687	(5,463)	2,721	(5,720)	868	(621)	639,440
-	7,039	-	-	-	-	630,994
-	(5,030)	(1,954)	-	-	-	182,767
-	(14,425)	(1,617)	-	-	-	(302,832)
-	-	-	-	-	(4)	(332,376)
-	-	330	7,168	-	1,612	(135,085)
(41,913)	-	-	-	-	(624)	63,513
-	-	-	-	-	10	(94,028)
-	-	-	-	-	-	352
-	-	-	-	-	-	11,474
-	-	-	-	-	-	(151)
-	-	-	-	-	-	(1,308)
-	-	-	-	-	-	(5,601)
(41,913)	(12,416)	(3,241)	7,168	-	994	(613,275)
(525)	-	(1)	(4)	(1,875)	(646)	(5,760)
42	-	-	-	-	(625)	(625)
-	-	-	-	-	14	66
(483)	-	(1)	(4)	(1,875)	(4)	(179)
-	-	-	-	-	(1,261)	(6,498)
-	(5,942)	(2,300)	-	(545,836)	-	(5,796,489)
-	10,500	-	-	418,980	-	5,787,579
-	-	-	-	-	-	6,003
23	4,590	473	-	104,977	379	236,468
23	9,148	(1,827)	-	(21,879)	379	233,561
(686)	(8,731)	(2,348)	1,444	(22,886)	(509)	244,782
16,898	27,952	5,970	28,228	44,346	7,451	672,425
\$16,212	\$19,221	\$3,622	\$29,672	\$ 21,460	\$6,942	\$917,207

The notes to the financial statements are an integral part of this report.

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Internal Service Funds

Internal Service Funds account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local.

State of Oregon

**COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 1990
(Expressed in Thousands)**

	EXECUTIVE DEPARTMENT	DEPARTMENT OF GENERAL SERVICES	JUSTICE DEPARTMENT
ASSETS			
Current Assets:			
Cash and Investments	\$ 201	\$200,167	\$ 541
Accounts Receivable	130,650	11,101	2,865
Interfund Receivables	2	10	-
Inventories	126	1,949	240
Prepaid Expenses	16	-	-
Total Current Assets	130,995	213,227	3,646
Total Fixed Assets (Net of Accumulated Depreciation/Amortization)	4,602	82,579	1,034
Other Assets:			
Contracts, Mortgages, and Notes Receivable	-	-	-
Deferred Charges	48	1,302	-
Total Other Assets	48	1,302	-
Total Assets	\$135,645	\$297,108	\$4,680
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Accounts and Interest Payable	\$ 1,425	\$ 12,602	\$2,260
Interfund Payables	124,906	180	-
COPs Payable - Current	461	1,935	-
Deferred Revenue	-	5,911	-
Vacation Payable-Current	110	157	552
Total Current Liabilities	126,902	20,785	2,812
Long-Term Liabilities:			
Contracts, Mortgages and Notes Payable	-	4,449	58
Obligations Under Capital Lease	66	941	-
Advances from Other Funds	-	319	-
COPs Payable-Noncurrent	1,571	46,772	-
Vacation Payable-Noncurrent	329	471	325
Claim Loss Liability	-	59,577	-
Total Long-Term Liabilities	1,966	112,529	383
Total Liabilities	128,868	133,314	3,195
Fund Equity:			
Contributed Capital	22	78,329	-
Retained Earnings-Unreserved	6,755	85,465	1,485
Total Fund Equity	6,777	163,794	1,485
Total Liabilities and Fund Equity	\$135,645	\$297,108	\$4,680

CORRECTIONS INDUSTRIES	DEPARTMENT OF HUMAN RESOURCES	DEPARTMENT OF TRANSPORTATION	MISC. INTERNAL SERVICES	JUNE 30	
				1990	1989
\$ 544	\$ 336	\$ 68	\$ 3,425	\$205,282	\$ 77,036
1,099	1,204	1,333	1,057	149,309	133,400
4	-	-	52	68	5,302
1,234	355	195	381	4,480	4,371
-	-	-	5	21	1,313
2,881	1,895	1,596	4,920	359,160	221,422
4,579	3,175	6,129	7,095	109,193	95,627
-	-	-	-	-	136
-	-	-	-	1,350	-
-	-	-	-	1,350	136
\$7,460	\$5,070	\$7,725	\$12,015	\$469,703	\$317,185
\$ 822	\$ 263	\$ 269	\$ 781	\$ 18,422	\$ 25,301
1	-	-	56	125,143	112,624
-	-	-	-	2,396	1,637
2	-	-	-	5,913	106
12	18	60	221	1,130	1,090
837	281	329	1,058	153,004	140,758
-	-	-	599	5,106	10,183
7	3,895	1,372	5	6,286	850
3,931	-	650	-	4,900	5,031
-	-	-	-	48,343	5,225
74	-	91	148	1,438	1,426
-	-	-	-	59,577	68,464
4,012	3,895	2,113	752	125,650	91,179
4,849	4,176	2,442	1,810	278,654	231,937
3,440	-	2,401	4,709	88,901	52,096
(829)	894	2,882	5,496	102,148	33,152
2,611	894	5,283	10,205	191,049	85,248
\$7,460	\$5,070	\$7,725	\$12,015	\$469,703	\$317,185

The notes to the financial statements are an integral part of this report.

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	EXECUTIVE DEPARTMENT	DEPARTMENT OF GENERAL SERVICES	JUSTICE DEPARTMENT
<u>Operating Revenues:</u>			
Licenses & Fees	\$ 537	\$ 203	\$ 203
Federal	-	-	10
Charges for Services	15,440	109,587	29,140
Fines and Forfeitures	-	9	17
Rents and Royalties	486	9,779	3
Sales	190	10,142	102
Other	50	426	2
Total Operating Revenues	16,703	130,146	29,477
<u>Operating Expenses:</u>			
Salaries and Wages	8,459	12,012	21,097
Services and Supplies	5,375	57,568	6,477
Cost of Sales	-	7,813	-
Special Payments	-	4	-
Depreciation and Amortization	980	6,673	830
Total Operating Expenses	14,814	84,070	28,404
Operating Income (Loss)	1,889	46,076	1,073
<u>Nonoperating Revenues (Expenses):</u>			
Interest Income	-	13,203	1
Interest Expense	(37)	(3,077)	-
Gain (Loss) on Disposition of Equipment	(174)	345	-
Total Nonoperating Revenues (Expenses)	(211)	10,471	1
Income Before Operating Transfers-in(out)	1,678	56,547	1,074
Operating Transfers-in	1,383	49	-
Operating Transfers-out	(1,524)	(497)	-
Net Income (Loss) Before Accounting Change	1,537	56,099	1,074
Cumulative Effect of Accounting Change	-	13,852	-
Net Income (Loss)	1,537	69,951	1,074
Fund Equity - Beginning	5,232	61,466	411
Prior Period Adjustments	5	(22)	-
Fund Equity - Beginning - As Restated	5,237	61,444	411
Residual Equity Transfers-in	3	32,438	-
Residual Equity Transfers-out	-	(39)	-
Fund Equity - Ending	\$ 6,777	\$163,794	\$ 1,485

CORRECTIONS INDUSTRIES	DEPARTMENT OF HUMAN RESOURCES	DEPARTMENT OF TRANSPORTATION	MISC. INTERNAL SERVICES	FISCAL YEAR ENDED JUNE 30	
				1990	1989
\$ -	\$ -	\$ -	\$ 2	\$ 945	\$ 149
-	-	-	-	10	48
372	6,070	8,247	12,618	181,474	133,338
4	-	-	-	30	122
14	-	-	54	10,336	10,420
5,034	-	-	337	15,805	21,638
-	-	9	672	1,159	1,991
5,424	6,070	8,256	13,683	209,759	167,706
752	1,221	3,567	7,922	55,030	50,767
1,405	2,485	1,917	4,087	79,314	106,966
2,567	-	-	-	10,380	16,760
171	-	-	1	176	2,914
500	1,710	2,243	1,860	14,796	12,434
5,395	5,416	7,727	13,870	159,696	189,841
29	654	529	(187)	50,063	(22,135)
-	-	-	53	13,257	4,081
(337)	-	-	-	(3,451)	(818)
(1)	(656)	3	(27)	(510)	(747)
(338)	(656)	3	26	9,296	2,516
(309)	(2)	532	(161)	59,359	(19,619)
3	-	-	353	1,788	1,075
-	-	-	(54)	(2,075)	(1,350)
(306)	(2)	532	138	59,072	(19,894)
-	-	-	-	13,852	-
(306)	(2)	532	138	72,924	(19,894)
2,410	1,001	4,522	10,206	85,248	100,953
23	(70)	-	(400)	(464)	193
2,433	931	4,522	9,806	84,784	101,146
500	-	245	277	33,463	4,006
(16)	(35)	(16)	(16)	(122)	(10)
\$2,611	\$894	\$5,283	\$10,205	\$191,049	\$85,248

The notes to the financial statements are an integral part of this report.

State of Oregon

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	EXECUTIVE DEPARTMENT	DEPARTMENT OF GENERAL SERVICES	JUSTICE DEPARTMENT
Operating Income (Loss)	\$ 1,889	\$ 46,076	\$ 1,073
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	980	6,673	830
Amortization of Bond Premium and Discount	-	33	-
Amortization of Deferred Charges	2	623	-
Residual Equity Transfers	2	32,348	-
Cumulative Effect of Accounting Change	-	13,852	-
Prior Period Adjustments Affecting Operating Income	(37)	(22)	-
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(17,052)	2,293	428
(Increase)/Decrease in Interfund Receivables	5	5,237	-
(Increase)/Decrease in Inventories	(22)	90	(20)
(Increase)/Decrease in Prepaid Expenses	(10)	-	-
Increase/(Decrease) in Accounts and Interest Payable	(2,273)	(694)	(1,825)
Increase/(Decrease) in Interfund Payables	17,803	(5,248)	-
Increase/(Decrease) in Claim Loss Liability	-	(8,887)	-
Increase/(Decrease) in Vacation Payable	36	36	57
Increase/(Decrease) in Deferred Revenue	-	5,911	-
Total Adjustments	(566)	52,245	(530)
Net Cash Provided/(Used) in Operating Activities	1,323	98,321	543
Cash Flows From Noncapital Financing Activities:			
Repayment of Notes/Advances	-	(26)	-
Collections on Notes	-	136	-
Interest Payments	-	-	-
Operating Transfers-in	1,383	49	-
Operating Transfers-out	(1,524)	(497)	-
Net Cash Provided/(Used) in Noncapital Financing Activities	(141)	(338)	-
Cash Flows From Capital and Related Financing Activities:			
Proceeds From Bond/COP Sales	2,032	43,306	-
Principal Payments on Bonds/COPs	-	(1,494)	-
Interest Payments on Bonds/COPs	-	(3,077)	-
Deferred Expenditures Paid on COPs	(50)	(622)	-
Acquisition of Capital Assets	(2,929)	(20,573)	(429)
Payments of Capital Leases	(35)	(188)	(13)
Payments on Contract	-	(175)	-
Purchased Interest	-	(1,182)	-
Proceeds From Disposition of Capital Assets	-	1,748	-
Net Cash Provided/(Used) in Capital and Related Financing Activities	(982)	17,743	(442)
Cash Flows From Investing Activities:			
Purchases of Investments	-	(79,709)	-
Proceeds From Sales and Maturities of Investments	-	5,172	-
Purchased Interest Received	-	734	1
Amortization of Investment Premiums	-	8	-
Return of Trust Securities	-	10	-
Interest on Investments and Cash Balances	-	13,203	-
Net Cash Provided/(Used) in Investing Activities	-	(60,582)	1
Net Increase/(Decrease) in Cash	200	55,144	102
Cash Balance at June 30, 1989	1	48,173	439
Cash Balance at June 30, 1990	\$ 201	\$103,317	\$ 541

<u>CORRECTIONS INDUSTRIES</u>	<u>DEPARTMENT OF HUMAN RESOURCES</u>	<u>DEPARTMENT OF TRANSPORTATION</u>	<u>MISC. INTERNAL SERVICES</u>	<u>FISCAL YEAR ENDED JUNE 30 1990</u>
\$ 29	\$ 654	\$ 529	\$ (187)	\$ 50,063
500	1,710	2,244	1,860	14,797
-	-	-	-	33
-	-	-	-	625
500	-	-	205	33,055
-	-	-	-	13,852
(3)	-	-	-	(62)
2	(699)	(9)	310	(14,727)
(4)	-	-	(4)	5,234
24	(20)	(143)	(18)	(109)
-	-	-	(1)	(11)
(226)	(238)	(712)	(911)	(6,879)
1	-	-	(37)	12,519
-	-	-	-	(8,887)
(3)	(47)	(65)	38	52
2	-	(106)	-	5,807
793	706	1,209	1,442	55,299
822	1,360	1,738	1,255	105,362
(99)	-	-	-	(125)
-	-	-	-	136
(337)	-	-	-	(337)
3	-	-	353	1,788
-	-	-	(54)	(2,075)
(433)	-	-	299	(613)
-	-	-	-	45,338
-	-	-	-	(1,494)
-	-	-	-	(3,077)
-	-	-	-	(672)
(390)	(58)	(967)	(1,448)	(26,794)
(1)	(1,839)	(1,309)	(15)	(3,400)
-	-	-	(141)	(316)
-	-	-	-	(1,182)
-	1	3	65	1,837
(391)	(1,896)	(2,273)	(1,519)	10,240
-	-	-	-	(79,709)
-	-	-	-	5,172
-	-	-	53	788
-	-	-	-	8
-	-	-	-	10
-	-	-	-	13,203
-	-	-	53	(60,528)
(2)	(536)	(535)	88	54,461
546	872	603	3,337	53,971
\$ 544	\$ 336	\$ 68	\$3,425	\$108,432

The notes to the financial statements are an integral part of this report.

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Trust and Agency Funds

Trust and Agency Funds account for resources received and held by a governmental unit as trustee or agent for individuals, private organizations, and other governmental units to be expended or invested in accordance with the conditions of the trust or agency agreement.

State of Oregon

**COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
JUNE 30, 1990
(Expressed in Thousands)**

	<u>PENSION TRUST</u>	<u>NONEXPENDABLE TRUSTS</u>	
	<u>PUB. EMPL. RETIREMENT SYSTEM</u>	<u>STATE LANDS</u>	<u>OTHER</u>
<u>ASSETS</u>			
Cash and Investments	\$11,611,987	\$221,828	\$3,182
Cash and Securities Held in Trust	-	1,161	-
Accounts Receivable	1,049,133	4,922	79
Interfund Receivables	71	57	18
Taxes Receivable	-	-	-
Inventories	2	16	-
Prepaid Expenses and Deferred Charges	1,308	-	-
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	-	5	-
Advances to Other Funds	-	-	-
Receivership Assets	-	-	-
Fixed Assets (Net of Accumulated Depreciation/Amortization)	740	9,376	-
Total Assets	<u>\$12,663,241</u>	<u>\$237,365</u>	<u>\$3,279</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts and Interest Payable	\$ 895,828	\$ 888	\$ -
Interfund Payables	-	11	12
Due to Other Governments	6	11,929	-
Trust and Agency Funds Payable	261	26,719	-
Deferred Compensation Payable	-	-	-
Contracts, Mortgages, Notes Payable	-	-	-
Advances from Other Funds	-	-	-
Deferred Revenue	-	-	-
Vacation Payable	205	126	-
Total Liabilities	<u>896,300</u>	<u>39,673</u>	<u>12</u>
Fund Balances:			
Reserved for Trust Fund Principal	-	197,692	3,267
Reserved for Public Employees Retirement System	11,766,941	-	-
Unreserved, Undesignated	-	-	-
Total Fund Balances	<u>11,766,941</u>	<u>197,692</u>	<u>3,267</u>
Total Liabilities and Fund Balances	<u>\$12,663,241</u>	<u>\$237,365</u>	<u>\$3,279</u>

EXPENDABLE TRUSTS

<u>EMPLOYMENT</u>	<u>RET. HEALTH INS. TRUST FUND</u>	<u>OTHER</u>	<u>AGENCY FUNDS</u>	<u>JUNE 30</u>	
				<u>1990</u>	<u>1989</u>
\$ 894,055	\$ -	\$24,692	\$1,295,256	\$14,051,000	\$12,067,587
254	-	1,441	999,425	1,002,281	936,599
5,768	-	1,852	88,419	1,150,173	214,954
-	-	49	62,007	62,202	458,141
103,243	-	-	4,735	107,978	110,698
-	-	-	52	70	139
-	-	-	-	1,308	2,542
26,667	-	516	62,539	89,727	188,442
-	-	-	-	-	8
-	-	-	91,109	91,109	70,295
-	-	1,615	-	11,731	6,963
<u>\$1,029,987</u>	<u>\$ -</u>	<u>\$30,165</u>	<u>\$2,603,542</u>	<u>\$16,567,579</u>	<u>\$14,056,368</u>

\$ 5,854	\$ -	\$ 20	\$ 266	\$ 902,856	\$ 41,113
23	-	5,351	38,594	43,991	479,873
2,428	-	-	6,074	20,437	18,862
5,287	-	34	2,321,806	2,354,107	2,055,198
-	-	-	141,802	141,802	118,100
-	-	340	-	340	-
-	-	-	95,000	95,000	-
26,667	-	773	-	27,440	24,602
-	-	-	-	331	294
40,259	-	6,518	2,603,542	3,586,304	2,738,042
-	-	23,647	-	224,606	172,600
-	-	-	-	11,766,941	10,353,718
<u>989,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>989,728</u>	<u>792,008</u>
<u>989,728</u>	<u>-</u>	<u>23,647</u>	<u>-</u>	<u>12,981,275</u>	<u>11,318,326</u>
<u>\$1,029,987</u>	<u>\$ -</u>	<u>\$30,165</u>	<u>\$2,603,542</u>	<u>\$16,567,579</u>	<u>\$14,056,368</u>

The notes to the financial statements are an integral part of this report.

State of Oregon

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	EMPLOYMENT	RET. HEALTH INS. TRUST FUND	OTHER	FISCAL YEAR ENDED JUNE 30	
				1990	1989
<u>Revenues:</u>					
Taxes	\$368,099	\$ -	\$ 1,993	\$ 370,092	\$362,055
Licenses and Fees	-	-	20	20	22
Federal	7,087	-	1,532	8,619	6,824
Charges for Services	-	-	6,609	6,609	1,838
Interest and Investment	70,792	-	1,795	72,587	84,451
Other	-	-	3,206	3,206	8,370
Total Revenues	445,978	-	15,155	461,133	463,560
<u>Expenditures:</u>					
Economic Development	-	-	6,628	6,628	179
Education	-	-	1,002	1,002	871
Human Resources	234,234	-	602	234,836	210,310
Natural Resources	-	-	547	547	11,992
Public Safety	-	-	-	-	1
Transportation	-	-	41	41	-
Administrative & Support Services	-	-	11	11	9,613
Total Expenditures	234,234	-	8,831	243,065	232,966
Excess (Deficiency) of Revenues Over (Under) Expenditures	211,744	-	6,324	218,068	230,594
<u>Other Financing Sources (Uses):</u>					
Operating Transfers-in	4,632	-	1,093	5,725	963
Operating Transfers-out	(13,633)	-	(5,668)	(19,301)	(2,441)
Loan Repayments	74	-	-	74	73
Total Other Financing Sources (Uses)	(8,927)	-	(4,575)	(13,502)	(1,405)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and and Other Financing Uses	202,817	-	1,749	204,566	229,189
Fund Balances - Beginning	792,008	(11,116)	5,119	786,011	591,177
Prior Period Adjustments	(5,097)	-	17,161	12,064	(206)
Fund Balances - Beginning - As Restated	786,911	(11,116)	22,280	798,075	590,971
Residual Equity Transfers-in	-	11,116	21	11,137	27
Residual Equity Transfers-out	-	-	(403)	(403)	(34,176)
Fund Balances - Ending	\$989,728	\$ -	\$23,647	\$1,013,375	\$786,011

The notes to the financial statements are an integral part of this report.

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY -
PENSION TRUST AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	PENSION TRUST PUB. EMPL. RETIREMENT SYSTEM	NONEXPENDABLE TRUSTS		FISCAL YEAR ENDED JUNE 30	
		STATE LANDS	OTHER	1990	1989
<u>Operating Revenues:</u>					
Licenses and Fees	\$ -	\$ 120	\$ 70	\$ 190	\$ 64
Federal	-	20	-	20	-
Charges for Services	-	160	-	160	111
Fines and Forfeitures	-	15	-	15	61
Rents and Royalties	43	1,430	-	1,473	1,551
Interest and Investment	1,276,409	19,533	463	1,296,405	1,173,272
Sales	-	19,177	868	20,045	14,104
Contributions	615,713	-	-	615,713	533,374
Other	116	1,202	203	1,521	2,032
Total Operating Revenues	1,892,281	41,657	1,604	1,935,542	1,724,569
<u>Operating Expenses:</u>					
Salaries and Wages	4,071	3,884	-	7,955	6,808
Services and Supplies	41,396	2,749	-	44,145	28,914
Special Payments	-	357	-	357	661
Benefit Payments	422,293	-	-	422,293	352,861
Distribution to Governments	-	13,671	-	13,671	14,419
Depreciation and Amortization	190	59	-	249	203
Bad Debt	-	-	223	223	-
Total Operating Expenses	467,950	20,720	223	488,893	403,866
Operating Income (Loss)	1,424,331	20,937	1,381	1,446,649	1,320,703
<u>Nonoperating Revenues (Expenses):</u>					
Gain (Loss) on Disposition of Equipment	-	(49)	-	(49)	696
Income Before Operating Transfers-in(out)	1,424,331	20,888	1,381	1,446,600	1,321,399
Operating Transfers-in	8	5,123	28	5,159	8,523
Operating Transfers-out	-	(5,321)	(161)	(5,482)	(8,369)
Net Income (Loss)	1,424,339	20,690	1,248	1,446,277	1,321,553
Fund Equity - Beginning	10,353,718	177,003	1,594	10,532,315	9,181,034
Prior Period Adjustments	-	(16)	22	6	(4,448)
Fund Equity - Beginning - As Restated	10,353,718	176,987	1,616	10,532,321	9,176,586
Residual Equity Transfers-in	-	15	403	418	34,202
Residual Equity Transfers-out	(11,116)	-	-	(11,116)	(26)
Fund Equity - Ending	\$11,766,941	\$197,692	\$3,267	\$11,967,900	\$10,532,315

The notes to the financial statements are an integral part of this report.

State of Oregon

**COMBINING STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	<u>NONEXPENDABLE TRUSTS</u>		<u>FISCAL YEAR ENDED</u>
	<u>STATE</u>		<u>JUNE 30</u>
	<u>LANDS</u>	<u>OTHER</u>	<u>1990</u>
Operating Income (Loss)	\$20,937	\$1,381	\$22,318
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	59	-	59
Residual Equity Transfers	-	403	403
Prior Period Adjustments			
Affecting Operating Income	-	22	22
Interest Received on Investments Reported as Operating Income/(Loss)	(15,705)	(2)	(15,707)
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	1,653	(79)	1,574
(Increase)/Decrease in Interfund Receivables	80	(18)	62
(Increase)/Decrease in Inventories	(3)	-	(3)
(Increase)/Decrease in Securities Held in Trust	(393)	-	(393)
Increase/(Decrease) in Accounts and Interest Payable	93	-	93
Increase/(Decrease) in Interfund Payables	(27)	12	(15)
Increase/(Decrease) in Due to Other Governments	216	-	216
Increase/(Decrease) in Trust Funds Payable	3,427	-	3,427
Increase/(Decrease) in Vacation Payable	1	-	1
Increase/(Decrease) in Deferred Revenue	(13)	-	(13)
Total Adjustments	(10,612)	338	(10,274)
Net Cash Provided/(Used) in Operating Activities	10,325	1,719	12,044
Cash Flows From Noncapital Financing Activities:			
Operating Transfers-in	5,123	28	5,151
Operating Transfers-out	(5,321)	(161)	(5,482)
Net Cash Provided/(Used) in Noncapital Financing Activities	(198)	(133)	(331)
Cash Flows From Capital and Related Financing Activities:			
Acquisition of Capital Assets	(4,618)	-	(4,618)
Net Cash Provided/(Used) in Capital and Related Financing Activities	(4,618)	-	(4,618)
Cash Flows From Investing Activities:			
Purchases of Investments	(55,851)	(2)	(55,853)
Proceeds from Sales and Maturities of Investments	56,089	-	56,088
Interest on Investments and Cash Balances	15,705	2	15,707
Net Cash Provided/(Used) in Investing Activities	15,942	-	15,942
Net Increase/(Decrease) in Cash	21,451	1,586	23,037
Cash Balance at June 30, 1989	28,501	1,594	30,095
Cash Balance at June 30, 1990	\$49,952	\$3,180	\$53,132

The notes to the financial statements are an integral part of this report.

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**COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

	BALANCE JULY 1, 1989	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1990
<u>ECONOMIC DEVELOPMENT & CONSUMER SERVICES</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 17,332	\$ 5,618	\$ 18,002	\$ 4,948
Securities Held in Trust	934,041	316,280	252,605	997,716
Accounts Receivable	3,596	1,261	1,540	3,317
Interfund Receivables	1	2	1	2
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	199	304	199	304
Receivership Assets	70,295	23,330	2,516	91,109
Fixed Assets	1,493	-	1,493	-
Total Assets	\$1,026,957	\$ 346,795	\$ 276,356	\$1,097,396
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ 206	\$ -	\$ 206
Interfund Payables	21	4,479	4,493	7
Agency Funds Payable	1,026,936	325,587	255,340	1,097,183
Total Liabilities	\$1,026,957	\$ 330,272	\$ 259,833	\$1,097,396
<u>EDUCATION</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 7	\$ 28	\$ 30	\$ 5
Accounts Receivable	423	-	85	338
Total Assets	\$ 430	\$ 28	\$ 115	\$ 343
<u>LIABILITIES</u>				
Interfund Payables	\$ 423	\$ -	\$ 85	\$ 338
Agency Funds Payable	7	28	30	5
Total Liabilities	\$ 430	\$ 28	\$ 115	\$ 343
<u>HUMAN RESOURCES</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 1,297	\$1,214,753	\$1,214,480	\$ 1,570
Accounts Receivable	27,492	87,772	41,912	73,352
Interfund Receivables	66,768	132,176	137,082	61,862
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	163,639	177,966	279,416	62,189
Total Assets	\$ 259,196	\$1,612,667	\$1,672,890	\$ 198,973
<u>LIABILITIES</u>				
Accounts Payable	\$ 9,193	\$ 16	\$ 9,193	\$ 16
Interfund Payables	82,017	42,494	87,679	36,832
Due to Other Governments	767	748	1,317	198
Agency Funds Payable	167,219	178,435	278,727	66,927
Advances from Other Funds	-	95,000	-	95,000
Total Liabilities	\$ 259,196	\$ 316,693	\$ 376,916	\$ 198,973

Continued

**COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

Continued

	BALANCE JULY 1, 1989	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1990
<u>NATURAL RESOURCES</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 118	\$ 1,871	\$ 1,873	\$ 116
Securities Held in Trust	960	160	25	1,095
Accounts Receivable	47	1,128	1,146	29
Interfund Receivables	2	-	2	-
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	6	55	32	29
Total Assets	\$1,133	\$ 3,214	\$ 3,078	\$1,269
<u>LIABILITIES</u>				
Accounts Payable	\$ 2	\$ -	\$ 2	\$ -
Interfund Payables	21	530	546	5
Agency Funds Payable	1,110	1,364	1,210	1,264
Total Liabilities	\$1,133	\$ 1,894	\$ 1,758	\$1,269
<u>PUBLIC SAFETY</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 212	\$ 767	\$ 651	\$ 328
Accounts Receivable	2,480	652	1,536	1,596
Total Assets	\$2,692	\$ 1,419	\$ 2,187	\$1,924
<u>LIABILITIES</u>				
Agency Funds Payable	\$2,692	\$ 1,419	\$ 2,187	\$1,924
Total Liabilities	\$2,692	\$ 1,419	\$ 2,187	\$1,924
<u>TRANSPORTATION</u>				
<u>ASSETS</u>				
Cash and Investments	\$2,106	\$ 9,331	\$10,424	\$1,013
Securities Held in Trust	590	60	36	614
Accounts Receivable	186	119	186	119
Interfund Receivables	-	99	-	99
Taxes Receivable	722	755	722	755
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	-	17	-	17
Total Assets	\$3,604	\$10,381	\$11,368	\$2,617
<u>LIABILITIES</u>				
Accounts Payable	\$ 72	\$ -	\$ 72	\$ -
Due to Other Governments	1,476	9,498	9,275	1,699
Agency Funds Payable	2,056	1,041	2,179	918
Total Liabilities	\$3,604	\$10,539	\$11,526	\$2,617

Continued

**COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1990
(Expressed in Thousands)**

Continued

ADMINISTRATION AND SUPPORT SERVICES

	BALANCE JULY 1, 1989	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1990
ASSETS				
Cash and Investments	\$ 941,572	\$ 513,342	\$ 177,248	\$1,277,666
Accounts Receivable	200	21,153	11,685	9,668
Interfund Receivables	1	44	1	44
Taxes Receivable	3,222	4,117	3,359	3,980
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	4	-	4	-
Total Assets	\$ 944,999	\$ 538,656	\$ 192,297	\$1,291,358
LIABILITIES				
Accounts Payable	\$ -	\$ 44	\$ -	\$ 44
Interfund Payables	1,033	13,431	13,052	1,412
Due to Other Governments	3,278	130,865	129,966	4,177
Agency Funds Payable	822,588	363,502	42,167	1,143,923
Deferred Compensation Payable	118,100	31,575	7,873	141,802
Total Liabilities	\$ 944,999	\$ 539,417	\$ 193,058	\$1,291,358

JUDICIAL

ASSETS				
Cash and Investments	\$ 7,785	\$ 1,825	\$ -	\$ 9,610
Inventories	96	-	44	52
Total Assets	\$ 7,881	\$ 1,825	\$ 44	\$ 9,662
LIABILITIES				
Agency Funds Payable	\$ 7,881	\$ 1,781	\$ -	\$ 9,662
Total Liabilities	\$ 7,881	\$ 1,781	\$ -	\$ 9,662

TOTALS - ALL AGENCY FUNDS

ASSETS				
Cash and Investments	\$ 970,429	\$1,747,535	\$1,422,708	\$1,295,256
Securities Held in Trust	935,591	316,500	252,666	999,425
Accounts Receivable	34,424	112,085	58,090	88,419
Interfund Receivables	66,772	132,321	137,086	62,007
Taxes Receivable	3,944	4,872	4,081	4,735
Inventories	96	-	44	52
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	163,848	178,342	279,651	62,539
Receivership Assets	70,295	23,330	2,516	91,109
Fixed Assets	1,493	-	1,493	-
Total Assets	\$2,246,892	\$2,514,985	\$2,158,335	\$2,603,542
LIABILITIES				
Accounts Payable	\$ 9,267	\$ 266	\$ 9,267	\$ 266
Interfund Payables	83,515	60,934	105,855	38,594
Due to Other Governments	5,521	141,111	140,558	6,074
Agency Funds Payable	2,030,489	873,157	581,840	2,321,806
Deferred Compensation Payable	118,100	31,575	7,873	141,802
Advances from Other Funds	-	95,000	-	95,000
Total Liabilities	\$2,246,892	\$1,202,043	\$ 845,393	\$2,603,542

The notes to the financial statements are an integral part of this report.

College and University Funds

The College and University Funds account for the resources received and used to operate Oregon's institutions of higher education and medical teaching hospitals.

State of Oregon

**COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1990
(Expressed in Thousands)**

	<u>CURRENT FUNDS</u>			
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>LOAN</u>	<u>ENDOWMENT AND SIMILAR</u>
<u>ASSETS</u>				
Cash and Investments	\$ 39,710	\$ 1,726	\$ 4,590	\$49,960
Accounts Receivable	39,409	35,017	-	-
Interfund Receivables	32,078	615	-	-
Inventories	9,922	-	-	-
Prepaid Expenses and Deferred Charges	9,068	10	-	-
Contracts, Mortgages, and Notes Receivable (Net of Allowance for Uncollectibles)	-	-	74,121	-
Fixed Assets	-	-	-	-
Total Assets	<u>\$130,187</u>	<u>\$37,368</u>	<u>\$78,711</u>	<u>\$49,960</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and Interest Payable	\$ 27,984	\$ 1,815	\$ -	\$ -
Interfund Payables	90	44	-	-
Due to Other Governments	-	-	-	-
Trust Funds Payable	2,792	-	-	-
Contracts, Mortgages, and Notes Payable	-	-	-	-
Obligations Under Capital Lease	-	-	-	-
Advances From Other Funds	-	-	-	-
Matured Bonds and Coupons Payable	-	-	-	-
Bonds/COPs Payable	-	-	-	-
Deferred Revenue	15,183	2,893	75	-
Vacation Payable	16,102	3,276	-	-
Total Liabilities	<u>62,151</u>	<u>8,028</u>	<u>75</u>	<u>-</u>
Fund Balances:				
Net Investment in Plant	-	-	-	-
Restricted	-	29,340	78,636	45,943
Unrestricted	68,036	-	-	4,017
Total Fund Balances	<u>68,036</u>	<u>29,340</u>	<u>78,636</u>	<u>49,960</u>
Total Liabilities and Fund Balances	<u>\$130,187</u>	<u>\$37,368</u>	<u>\$78,711</u>	<u>\$49,960</u>

PLANT FUNDS					JUNE 30	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY	1990	1989
\$77,763	\$21,403	\$49,671	\$ -	\$8,299	\$ 253,122	\$ 227,910
1,881	-	775	-	47	77,129	62,616
2,348	-	-	-	-	35,041	29,840
-	-	-	-	-	9,922	9,302
26	-	-	-	-	9,104	4,743
-	-	-	-	-	74,121	71,244
-	-	-	1,163,784	-	1,163,784	1,043,742
<u>\$82,018</u>	<u>\$21,403</u>	<u>\$50,446</u>	<u>\$1,163,784</u>	<u>\$8,346</u>	<u>\$1,622,223</u>	<u>\$1,449,397</u>
\$ 2,962	\$ -	\$ -	\$ -	\$ 814	\$ 33,575	\$ 29,920
8,	-	-	-	-	142	141
76	-	980	-	-	1,056	76
-	-	-	-	7,529	10,321	9,359
-	-	-	375	-	375	-
-	-	-	4,081	-	4,081	-
-	-	-	2,652	-	2,652	701
-	-	1,946	-	-	1,946	3,128
-	-	-	273,323	-	273,323	215,213
-	-	881	-	3	19,035	16,059
-	-	-	-	-	19,378	16,380
<u>3,046</u>	<u>-</u>	<u>3,807</u>	<u>280,431</u>	<u>8,346</u>	<u>365,884</u>	<u>290,977</u>
-	-	-	883,353	-	883,353	823,117
8,233	-	-	-	-	162,152	144,318
<u>70,739</u>	<u>21,403</u>	<u>46,639</u>	<u>-</u>	<u>-</u>	<u>210,834</u>	<u>190,985</u>
<u>78,972</u>	<u>21,403</u>	<u>46,639</u>	<u>883,353</u>	<u>-</u>	<u>1,256,339</u>	<u>1,158,420</u>
<u>\$82,018</u>	<u>\$21,403</u>	<u>\$50,446</u>	<u>\$1,163,784</u>	<u>\$8,346</u>	<u>\$1,622,223</u>	<u>\$1,449,397</u>

The notes to the financial statements are an integral part of this report.

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General Fixed Assets Account Group

General Fixed Assets Account Group accounts for fixed assets acquired through governmental-type funds.

COMPARATIVE SCHEDULE OF GENERAL FIXED ASSETS
JUNE 30, 1990

(Expressed in Thousands)

	JUNE 30,	
	<u>1990</u>	<u>1989</u>
Land	\$100,184	\$ 98,730
Buildings	261,608	183,999
Improvements Other than Buildings	114,937	112,228
Construction in Process	32,878	20,643
Equipment and Machinery	314,823	292,845
Data Processing Software	5,354	4,821
Leasehold Improvements	2,325	2,114
Capital Leased Property	<u>685</u>	<u>613</u>
Total General Fixed Assets	<u>\$832,794</u>	<u>\$715,993</u>

General Long-Term Debt Account Group

General Long-Term Debt Account Group accounts for long-term debt other than those incurred in Proprietary, Special Assessments, and certain Trust Funds.

**COMPARATIVE SCHEDULE OF GENERAL LONG-TERM DEBT
JUNE 30, 1990**

(Expressed in Thousands)

	<u>JUNE 30,</u>	
	<u>1990</u>	<u>1989</u>
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT		
Amount Available in Special Revenue Fund	\$ 182,957	\$ -
Amount Available in Debt Service Fund	95,034	104,563
Amount to be Provided - Long-Term Debt	918,380	134,769
Amount to be Provided - Vacation Payable	<u>27,767</u>	<u>24,259</u>
Total Available and to be Provided	<u>\$1,224,138</u>	<u>\$263,591</u>
GENERAL LONG-TERM DEBT PAYABLE		
<u>Bonds and COP's Payable</u>		
Community College and Education Center	\$ 25,700	\$ 27,490
Oregon Pollution Control	91,525	102,325
Oregon State Highway	88,200	97,820
Motor Vehicles	3,010	-
Fish and Wildlife	<u>3,740</u>	<u>-</u>
Total	212,175	227,635
<u>Other Long-Term Liabilities</u>		
Contracts, Mortgages, & Notes Payable	4,935	3,002
Lease Purchase Contracts Payable	6,042	7,396
Vacation Payable	27,767	24,259
Claim Loss Liability	<u>973,219</u>	<u>1,299</u>
Total in Long-Term Debt Account Group	<u>\$1,224,138</u>	<u>\$263,591</u>

Statistical and Economic Information

**REDISTRIBUTIONS OF REVENUE
FOR THE YEAR ENDED JUNE 30, 1990**

(Expressed in Thousands)

Numerous moneys are distributed biennially by the State to local governmental units and individuals. Redistributions of revenue are recorded and reported in various ways by the state agencies depending on their legislatively-approved budgets. This is a summary of the distributions that are reported as Transfers-out, Special Payments Expenditures, or Nonlimited Expenditures in the financial statements. During 1989-90 the State of Oregon made the following distributions:

	1989-90 Total	Nonlimited Funds	Other Funds	Federal Funds	State General Fund
Cities	\$ 96,359	\$ 18,345	\$ 69,122	\$ 8,044	\$ 848
Counties	619,264	206,036	270,540	51,855	90,833
Other Governmental Units	65,626	40,715	9,114	9,732	6,065
Nongovernmental Units	129,568	53,490	9,717	58,296	8,065
Individuals	899,753	96,856	26,509	464,038	312,350
Local School Districts	714,444	567,852	7,625	101,675	37,292
Community Colleges	83,792	-	9,898	6,430	67,464
Other (A)	<u>119,180</u>	<u>18,573</u>	<u>66,943</u>	<u>14,996</u>	<u>18,668</u>
	<u>\$2,727,986</u>	<u>\$1,001,867</u>	<u>\$469,468</u>	<u>\$715,066</u>	<u>\$541,585</u>

(A) Some state agencies use "Other" instead of specific classification.

STATE OF OREGON HISTORICAL STATEMENT OF BUDGETARY REVENUES

(Expressed in Thousands)
FISCAL YEAR ENDED JUNE 30,

	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
Income Taxes	\$ 1,973,079	\$1,899,758	\$1,450,829	\$1,594,011	\$1,347,606	\$1,473,286	\$1,365,762	\$1,319,803	\$1,093,073	\$1,165,123
Selective Sales and Use Taxes	484,934	457,250	403,497	373,314	337,548	267,390	272,183	248,258	213,593	197,267
Gross Receipts Business Taxes	76,515	74,388	71,360	64,697	54,843	47,483	42,014	39,801	40,338	40,376
Employer - Employee Taxes	544,057	535,532	496,477	499,638	473,911	445,432	405,461	378,088	317,043	73,416
Inheritance and Gift Taxes	13,704	9,796	12,982	34,711	25,937	29,201	33,705	35,760	42,216	35,428
Severance Taxes	46,976	32,504	27,557	27,538	26,944	31,027	29,879	48,486	47,625	49,975
Other Taxes	34,422	24,172	21,609	15,365	14,310	14,698	14,125	12,768	6,846	4,431
Business Licenses and Fees	51,047	42,313	40,770	34,459	33,190	29,589	32,268	26,363	27,642	27,771
Nonbusiness Licenses and Fees	151,700	134,172	128,474	105,095	120,560	97,775	91,198	85,462	82,492	76,393
Federal Revenues	1,346,704	1,220,486	1,225,402	1,190,536	1,106,571	1,087,678	953,033	988,338	910,698	1,069,192
Charges for Services	319,381	257,372	632,330	576,775	517,911	568,261	570,252	524,738	464,000	423,678
Fines and Forfeitures	33,950	28,827	25,335	33,671	16,766	19,359	29,481	17,358	7,187	5,659
Rents and Royalties	18,058	16,750	18,738	19,434	19,753	18,347	18,863	16,746	21,937	17,715
Bond Sales	294,902	188,705	370,800	530,350	1,120,459	399,220	218,970	520,525	251,100	1,159,080
Interest Income (A)	2,092,020	1,893,560	919,831	2,391,011	1,492,935	1,236,156	1,028,705	931,077	683,229	604,040
Sales Income	446,400	441,392	430,035	355,287	368,690	308,923	278,498	247,786	233,695	225,505
Cost of Goods Sold	(123,254)	(131,710)	(150,042)	(151,797)	(164,782)	(151,724)	(150,553)	(125,679)	(80,157)	(81,044)
Donations and Grants (Nonfederal)	5,293	7,030	50,040	54,912	47,545	39,179	39,868	35,458	36,225	26,860
Contributions (Retirement)	603,763	531,760	465,455	642,417	818,261	781,698	720,416	692,798	700,085	632,452
Loan Repayments	575,617	550,320	554,403	609,428	532,282	507,035	451,564	407,478	268,507	217,540
SAIF Assessment	-	-	-	-	-	-	-	81,000	-	-
Workers' Compensation Premiums	288,348	294,433	293,092	221,868	177,875	139,607	169,247	(1)	(1)	237,497
Other Revenue	132,111	121,741	143,559	137,817	170,210	74,643	70,785	94,223	68,917	43,797
Loan Proceeds	95,889	425	3,068	5,302	502	14,642	13,349	-	4,785	-
Revenue Transfers (Net)	808,892	716,360	592,801	291,917	112,408	77,700	174,182	76,916	46,758	75,301
Total Revenue	\$10,314,508	\$9,337,336	\$8,228,402	\$9,657,756	\$8,772,235	\$7,556,605	\$6,873,255	\$6,703,551	\$5,487,834	\$6,327,452

(1) Included in Employer - Employee Taxes

(A) Includes income reported on Public Employees' Retirement Fund for increases in the valuation of investments to market value.

**STATE OF OREGON
HISTORICAL STATEMENT OF
BUDGETARY EXPENDITURES
BY BUDGET AUTHORITY**

(Expressed in Thousands)
Fiscal Year Ended June 30,

	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
STATE GENERAL FUND EXPENDITURES										
Personal Services	\$ 364,846	\$ 329,685	\$ 516,651	\$ 496,935	\$ 461,138	\$ 416,795	\$ 386,337	\$ 342,682	\$ 362,855	\$ 325,879
Services and Supplies	122,913	130,573	156,949	140,387	139,856	130,741	112,291	93,636	88,470	84,851
Capital Outlay	22,742	32,475	32,013	25,011	27,105	29,742	17,196	8,158	10,704	16,701
Special Payments	1,793,453	1,396,051	1,084,849	1,036,223	1,021,333	1,001,214	982,223	937,540	1,009,738	944,850
Debt Service	421	-	5,370	5,082	5,364	5,378	6,868	2,888	5,772	2,970
Total General Fund	\$2,304,375	\$1,888,784	\$1,873,714	\$1,703,638	\$1,654,796	\$1,583,870	\$1,504,915	\$1,384,904	\$1,477,539	\$1,375,251
OTHER FUND EXPENDITURES										
Personal Services	\$ 374,985	\$ 364,785	\$ 444,672	\$ 479,259	\$ 457,599	\$ 499,609	\$ 501,771	\$ 474,562	\$ 418,665	\$ 385,859
Services and Supplies	531,812	436,532	426,808	489,835	473,775	505,043	460,705	437,581	439,940	649,401
Capital Outlay	175,906	118,227	59,830	79,315	38,703	40,712	26,861	35,938	23,098	27,873
Special Payments	535,718	469,927	396,042	335,475	336,996	316,208	244,187	82,108	42,327	58,635
Debt Service	25,520	22,402	477	666	5,415	23,935	26,126	11,877	9,512	9,414
Total Other Funds	\$1,643,941	\$1,411,873	\$1,327,829	\$1,384,550	\$1,312,488	\$1,385,507	\$1,259,650	\$1,042,066	\$933,542	\$1,131,182
FEDERAL FUND EXPENDITURES										
Personal Services	\$ 151,808	\$ 141,537	\$ 131,333	\$ 122,507	\$ 122,485	\$ 119,910	\$ 120,839	\$ 118,280	\$ 118,379	\$ 110,592
Services and Supplies	63,674	56,451	56,945	46,857	54,354	50,689	43,514	42,068	40,565	41,098
Capital Outlay	6,324	6,146	4,700	7,739	6,222	6,201	4,527	2,764	2,473	6,504
Special Payments	727,461	653,637	585,307	519,763	487,405	452,529	387,767	375,773	326,840	422,289
Total Federal Funds	\$949,267	\$857,771	\$758,285	\$696,866	\$670,466	\$629,329	\$556,647	\$538,885	\$488,257	\$580,483
NONLIMITED FUND EXPENDITURES										
Personal Services	\$ 204,571	\$ 168,108	\$ 366,858	\$ 252,146	\$ 231,844	\$ 133,442	\$ 124,364	\$ 98,810	\$ 95,283	\$ 93,938
Services and Supplies	144,852	110,387	355,842	299,471	266,293	218,813	192,811	167,037	143,010	128,376
Capital Outlay	4,232	13,552	30,737	23,518	26,512	16,246	12,238	8,603	9,811	12,880
Special Payments	1,729,335	1,837,171	1,849,980	1,802,235	1,841,715	1,688,059	1,724,978	1,714,847	1,805,799	1,999,715
Debt Service	911,355	922,080	984,627	1,067,784	1,063,434	880,634	697,390	627,050	575,489	522,009
Other	58,078	70,446	77,882	102,966	28,794	30,432	26,476	24,276	3,133	3,436
Total Nonlimited Funds	\$3,052,423	\$3,121,744	\$3,665,926	\$3,548,120	\$3,458,592	\$2,967,526	\$2,778,257	\$2,640,623	\$2,632,525	\$2,760,354
Total Expenditures	\$7,950,006	\$7,280,172	\$7,333,174	\$7,096,342	\$6,566,332	\$6,099,469	\$5,606,479	\$5,531,863	\$5,847,270	\$5,847,270

ANALYSIS OF BONDED DEBT

The State of Oregon Constitution provides for the issuance of general obligation debt for a number of purposes. The State may also issue revenue bonds under various State laws.

General obligation bonds are secured by the full faith and credit of the government and are not deemed a primary obligation of any specific fund of the organization.

Revenue bonds such as the housing revenue bonds are not secured by the full faith and credit of the State nor are the bonds an obligation of the State. They are secured and payable only from the obligations of the mortgage lenders as collaterally secured by approved securities or to first mortgage liens on low income family residential property.

The following summary information is provided for the year ended June 30, 1990 to aid in analysis of State bonded debt.

Analysis of General Obligation Debt.

Summary of Outstanding Debt and Constitutional and Statutory Provisions.

Summary of Oregon State Constitutional Provisions regarding General Obligation Debt.

**STATE OF OREGON
GENERAL OBLIGATION DEBT SUMMARY
as of August 28, 1990
(Expressed in Whole Dollars)**

	JUNE 30,			
	1981	1982	1983	1984
Total General Obligation Debt	\$5,523,265,000	\$5,673,406,000	\$5,893,090,000	\$5,617,365,000
Revenue Supported General Obligation Debt	\$5,377,522,000	\$5,532,548,000	\$5,749,380,000	\$5,479,246,000
Nonrevenue Supported General Obligation Debt	\$145,743,000	\$142,038,000	\$143,710,000	\$138,110,000
Population ^{1/}	2,660,735	2,656,185	2,635,000	2,660,000
Total Debt per Capita	\$2,075.84	\$2,135.92	\$2,236.47	\$2,111.88
True Cash Value (TCV)	\$82,426,835,098	\$86,428,611,621	\$85,364,563,949	\$85,399,676,330
Total Debt as Percent TCV	6.70%	6.56%	6.90%	6.58%
Nonrevenue Supported General Obligation Debt per Capita	\$54.78	\$53.47	\$54.54	\$51.92
Nonrevenue Supported General Obligation Debt as Percent TCV	.18%	.16%	.17%	.17%
Total Personal Income ^{2/}	\$24,700,000,000	\$26,527,600,000	\$27,078,200,000	\$36,302,000,000
Revenue Supported General Obligation Debt as Percent Total Personal Income	21.77%	20.86%	21.23%	16.96%
Nonrevenue Supported General Obligation Debt as Percent Total Personal Income	.59%	.54%	.53%	.43%

^{1/} Population figures are as of July 1 each year, except that no new population figures are available after July 1, 1989. Source: Center for Population Research, Portland State University.

^{2/} Total personal income is based on calendar year averages of preceding year; this tends to overstate percentages shown. Source: State of Oregon, Executive Department, Office of Economic Analysis. Compiled by Debt Management Division, Oregon State Treasury.

JUNE 30,					
1985	1986	1987	1988	1989	1990
\$5,535,043,000	\$6,376,368,000	\$6,232,327,000	\$6,054,546,000	\$5,844,424,276	\$5,674,702,938
\$5,402,845,000	\$6,250,433,000	\$6,131,159,000	\$5,957,023,000	\$5,753,089,192	\$5,578,878,623
\$132,197,500	\$125,935,000	\$101,211,000	\$97,523,000	\$91,335,084	\$97,522,873
2,675,800	2,659,500	2,690,000	2,741,000	2,791,000	2,791,000
\$2,068.56	\$2,397.58	\$2,316.87	\$2,208.88	\$2,094.06	\$2,033.21
\$83,034,800,482	\$82,944,411,643	\$83,110,546,821	\$88,075,918,658	\$88,075,918,858	\$88,075,918,858
6.67%	7.76%	7.50%	6.87%	6.64%	6.44%
\$49.40	\$47.35	\$37.63	\$35.58	\$32.72	\$34.33
.16%	.15%	.12%	.11%	.10%	.11%
\$33,951,000,000	\$35,748,000,000	\$38,182,000,000	\$41,180,000,000	\$44,514,000,000	\$44,514,000,000
15.91%	17.48%	16.06%	14.50%	12.92%	12.53%
.39%	.35%	.27%	.24%	.21%	.21%

STATE OF OREGON
OUTSTANDING DEBT AND CONSTITUTIONAL AND STATUTORY PROVISIONS
as of August 28, 1990
(Expressed in Thousands)

PURPOSE/DEPARTMENT	CONSTITU. PROVISION ^{1/}	CONSTITU. DEBT LIMIT ^{2/}	STATUTORY DEBT LIMIT	AMOUNT ISSUED ^{3/}	AMOUNT OUTSTAND. ^{4/}	AUTHORIZA. REMAINING ^{5/}
GENERAL OBLIGATION BONDS						
General Fund:						
Higher Education Facilities	ART XI-G	.75% TCV	-	\$ 109,107	\$ 55,337 ^{6/}	\$ 579,598
Community College Bonds	ART XI-G	.75% TCV	-	44,645	25,970	-
State Power Development	ART XI-D	1.5% TCV	-	-	-	1,321,139
General Purpose Bonds ^{7/}	ART XI-Sec 7	\$50	-	-	-	50
Forest Rehabilitation Bonds	ART XI-E	.1875% TCV	\$ 750/yr (ORS 530.230)	13,350	-	165,142
Partially General Fund supported:						
Pollution Control Bonds (15.5%) ^{8/}	ART XI-H	1.0% TCV	\$ 260,000 (ORS 468.195)	28,125	13,729	25,271
Fully Self-Supporting:						
Higher Education Building Projects	ART XI-F(1)	.75% TCV	-	313,219	186,077 ^{9/}	474,492
State Highway Bonds	ART XI-Sec 7	1.0% TCV	-	246,050	19,500	861,259
Water Resources Bonds	ART XI-I(1)	1.5% TCV	-	43,511	18,845	1,302,294
Elderly Multi-Family Housing Bonds	ART XI-I(2)	.5% TCV	-	124,390	111,085	329,295
Veterans' Welfare Bonds ^{8/}	ART XI-A	8.0% TCV	-	7,719,403	4,920,258 ^{9/}	2,125,815
Alternate Energy Projects	ART XI-J	.5% TCV	-	182,975	166,580	273,800
Pollution Control Bonds ^{8/}	ART XI-H		-	<u>159,375</u>	<u>77,796</u>	<u>143,204 ^{9/}</u>
(84.5% Partially Self-Supporting)						
Total General Obligation Bonds				<u>\$8,984,150 ^{3/}</u>	<u>\$5,595,177</u>	<u>\$7,601,359</u>
REVENUE BONDS						
Housing Agency			\$1,030,000 (ORS 456.661)	\$753,014	\$418,076 ^{9/}	\$611,924
Single-Family and Project Financing			10,000	8,500	\$6,130	\$3,680
Oregon State Fair & Exposition Center			(ORS 565.095) 134,000	80,000	67,700	66,300
Department of Transportation - Highway User Tax			(ORS 367.615)			

INDUSTRIAL DEVELOPMENT REVENUE BONDS

Economic Development Department

SHORT-TERM DEBT ^{2/}

Art XI-Sec 7	\$50	(ORS 280.310)	\$376,515	\$187,083	\$ -
					\$ 50

^{1/} See page 140 for a summary of the major provisions.^{2/} The State of Oregon may not incur indebtedness exceeding \$50 without a constitutional amendment approved by the voters. The General Purposes and/or Short-Term Debt categories both reflect this single limitation.^{3/} Based on January 1, 1989 True Cash Value (TCV) of \$88,075,919,000.^{4/} State statutes require that pollution control bonds be no less than 70% self-supporting. Currently, 84.54% of pollution control debt is self-supporting and 15.46% is general fund supported.^{5/} Excludes tax notes and tax-exempt commercial paper applicable to department's constitutional debt limit.^{6/} In this report, outstanding Department of Veterans' Affairs and State Board of Higher Education general obligation debt reflect the proceeds amount of original issued discounted bonds. Because Higher Education 1988 Series B Bonds are zero coupon bonds, the totals for Higher Education Article XI-G and XI-F(1) authorized bonds each reflect the accreted value, as of the date of this schedule, for the 1988 Series B Bonds.^{7/} Includes all issues and advance refunding bonds since each program's inception.^{8/} Excludes refunded and defeased bonds.

NOTE: All Oregon Mass Transportation Financing Authority (OMTFA) bonds were advance refunded and defeased by an issue of the Tri-County Metropolitan Transit District (Tri-Met) during 1985 under authority granted by the 1985 Legislative Assembly.

Compiled by Debt Management Division, Oregon State Treasurer.

Summaries of Oregon State Constitutional Provisions regarding General Obligation Debt

ARTICLE IX

Section 2 of this Article states that the legislature shall provide for raising enough revenue to defray the expenses of the State for each fiscal year and also to pay the interest on the State debt. Section 3a of this Article restricts the use of gasoline taxes and other highway-user taxes to activities associated with the State's roads, including the retirement of bonds where these taxes have been pledged as the source of revenue. In addition, however, taxes on recreational vehicles may be used to acquire and care for parks and recreation areas. Section 6 requires the legislature to increase taxes to cover deficits occurring in the previous year and estimated expenses for the ensuing year.

ARTICLE XI

Section 7 provides that the total amount of credit loaned and debt or liability created by the State shall not exceed \$50,000 except for building and maintaining roads which is limited to 1% of TCV of property in the State. The section does not apply to real property leases up to 20 years entered into the State for a public purpose.

ARTICLE XI-A

Section 1 of this Article authorizes the State to loan its credit and to incur indebtedness up to 8% TCV of taxable property in the State to create the Oregon War Veteran's Fund. Section 2 states that bonds of the Oregon War Veteran's Fund shall be a direct obligation of the State. An annual tax of up to 2 mills on all taxable property within the State is allowed by Section 4 as a source of interest and repayment for the bonds. This amount of tax however is limited by statute to 0.25 mill.

ARTICLE XI-D

This article authorizes lending the credit of or incurring indebtedness by the State up to 1.5% TCV of all taxable property in the State to provide funds primarily for the development of hydroelectric power.

ARTICLE XI-E

This Article authorizes the lending of credit of or incurring indebtedness by the State up to 3/16 of 1% TCV of all taxable property in the State to provide funds for the reforestation of land which the State currently owns and that which it may acquire for the purpose of reforestation. Funds generated from the reforested lands must be used to repay any outstanding debt issued under this provision and property taxes are also authorized to assist in repaying this debt. A debt limit of \$750,000/year is currently set by statute.

ARTICLE XI-F(1)

Here the constitution authorizes lending the credit of or incurring indebtedness by the State up to 3/4 of 1% TCV of all taxable property in the State to provide funds for higher education building projects. These projects must be wholly self-supporting and self-liquidating from revenues, gifts, grants or building fees. If the projects do not provide enough funds to repay the debt and the interest on the debt, property taxes are allowed.

ARTICLE XI-G

In addition to the debt provisions of Article XI-F(1) this article authorizes lending the credit of or incurring indebtedness by the State up to 3/4 of 1% of all taxable property in the State to raise funds for higher education projects (including those of community colleges). Unlike Article XI-F(1), however, these projects cannot be totally self-supporting. Property taxes are allowed to repay this debt and its interest. In addition, any funds spent under this provision must be matched by the legislature from the General Fund.

ARTICLE XI-H

Funds for pollution abatement facilities, and for pollution control and disposal activities, of State and local government agencies may be raised under this Article by lending the credit of or incurring indebtedness by the State of up to 1% TCV of all taxable property in the State. Most facilities funded under this Article are required to "conservatively appear" to be at least 70% self-supporting and self-liquidating from revenues, gifts, grants from the Federal Government, user charges, assessments and other fees. However, pollution control and disposal activities, and hazardous substance facilities, are not subject to this self-support requirement. Property taxes are provided as a source of additional revenue to support these obligations."

ARTICLE XI-I(1)

Funds for loans to construct water development projects for irrigation, drainage, fish protection, watershed restoration and municipal uses and for the acquisition of related easements and rights of way may be raised under this section by lending the credit of or incurring indebtedness by the State up to 1-1/2% TCV of all the taxable property within the State. Property taxes may be levied to repay this debt if revenues are insufficient.

ARTICLE XI-I(2)

Authorizes funds for additional financing for multifamily housing for elderly and disabled persons. The amount of credit loaned or debt incurred by the State for this purpose may not exceed 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

ARTICLE XI-J

Authorizes the lending of credit of or incurring indebtedness by the State to provide funds for loans for small scale local energy projects, up to 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

APPROVED BY:



ATTORNEY GENERAL, State of Oregon

THE STATE'S ECONOMY

Recent Trends

Oregon's economy has outperformed the nation's economy in recent years. In every year since 1986, Oregon's employment growth has outstripped the nation's. Between 1985 and 1989, Oregon employment increased by 17 percent, while U.S. employment increased by 11 percent.

With growth has come diversification. Oregon's economy has become less dependent on the forest products industry and more dependent on high technology industries. By 1989, 15,000 fewer Oregonians worked in wood and paper products manufacturing than had 10 years ago. Over the same period, employment in the high technology sectors of electrical and nonelectrical machinery increased by more than 7,000. Oregon's other basic industries, agriculture and tourism, continue to provide a strong diversified support for the State's economy.

Most of the recent job gains in Oregon have come from nonmanufacturing sectors. Since 1985, Oregon nonmanufacturing employment has increased by 19 percent, led by trade (up 20 percent), services (up 30 percent), and construction (up 37 percent). The nonmanufacturing sectors now provide more than 80 percent of the jobs in Oregon and the nation.

Much of the boom in the Oregon nonmanufacturing sectors can be traced to population growth. Oregon's quality of life and low housing costs have traditionally encouraged in-migration. The State's rapid job growth since 1987 provided the missing ingredient necessary to push Oregon's population growth rate above the nation's. This growth, in turn, caused Oregon housing starts to increase in 1987, 1988, and 1989, even as U.S. housing starts have declined. In 1989, Oregon housing starts increased 57.7 percent, the highest rate in the nation.

Despite these positive developments in employment, population growth, and housing Oregon per capita personal income remains at about 90 percent of the national average.

Economic History

Oregon's economy grew moderately in the two decades immediately following World War II. From 1950 to 1970, nonagricultural employment growth averaged 2.7 percent per year. In the 1970's, however, the State experienced rapid growth as population increased and economic diversification continued. Oregon's growth significantly outpaced the national average: from 1975 to 1980, nonagricultural employment growth averaged 6.1 percent per year and per capita income rose above the U.S. average.

The early 1980's recessions hit Oregon hard. In 1982, nonagricultural employment fell by 5.7 percent with much of the loss occurring in the wood products industry. Oregon remains slightly more sensitive to economic cycles than the national average, due to the forest products component of its economy. Although recessionary periods continue to be somewhat more pronounced in Oregon than in the nation as a whole, the higher proportion of nonmanufacturing jobs, growing high technology sector, and restructuring of the lumber and wood industry has provided more stability.

EMPLOYMENT AND UNEMPLOYMENT

Nonagricultural Employment Trends

Between 1980 and 1989, total nonagricultural wage and salary employment in Oregon rose from 1,044,600 to 1,206,600, an increase of 15.5 percent. During this period, however, employment exhibited sharply different trends.

In 1979, soaring inflation led to dramatically higher interest rates which severely hurt credit-sensitive industries such as construction and lumber and wood products. As the nation plunged into the worst recession since the 1930's, Oregon's housing-dependent economy was especially hard hit. Between 1979 and 1982, wage and salary employment in the State plummeted by nine percent to 960,800, a loss of 95,400 jobs. Goods-producing jobs (i.e., manufacturing, construction, and mining) declined by 67,500 (-25 percent) while service-producing jobs fell by only 27,900 (-4 percent).

Although the severity of the recession eliminated many Oregon jobs, both in manufacturing (-42,800) and nonmanufacturing (-52,600), it also caused inflation and interest rates eventually to drop significantly. This improvement, plus more stimulative federal monetary and fiscal policies, set the stage for another period of economic expansion beginning in early 1983. In the seven-year period between 1982 and 1989, Oregon's nonfarm wage and salary employment increased by 26 percent to reach a new all time high of 1,206,900, a gain of 245,000 jobs.

The current expansion, though the longest ever during peacetime, differs from previous recovery periods. During the last seven years, manufacturing employment has risen by 31,500 jobs but is still about 11,300 below its 1979 prerecession peak of 228,500. This partial employment recovery largely reflects increased competition, both domestic and foreign, automation, and much higher labor productivity. In the first half of the 1980's, the rising foreign exchange value of the dollar made U.S. exported goods more expensive overseas, while foreign imports became less expensive to U.S. consumers. Although the dollar's exchange value fell between 1985 and 1988, imports have captured a greater share of U.S. markets. Manufacturing firms in Oregon and the nation have responded by reducing their costs, restructuring their operations, and automating production processes wherever possible. In many cases, these efficiencies have resulted in fewer jobs even though production volumes have recovered and even reached new highs.

About 87 percent of the 245,800 new wage and salary jobs added in the 1982-89 period came in nonmanufacturing. Although virtually every nonmanufacturing industrial category except mining, railroad transportation, communication and utilities increased employment, the service and trade industries accounted for over three-fourths of all new nonmanufacturing jobs during the 1982-89 period. Job growth was especially strong in food stores, eating and drinking places, health care, and business services.

Exhibit 1

OREGON NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT(1)
CALENDAR YEAR AVERAGES(2)
(Numbers in Thousands)(3)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total All Industries	1,044.6	1,018.4	960.8	966.7	1,006.9	1,030.0	1,058.5	1,100.1	1,156.0	1,206.6
Manufacturing	215.1	202.7	185.7	188.8	201.1	199.3	198.4	206.2	214.2	217.2
Durable Goods	159.6	148.4	132.7	135.1	146.7	144.8	153.4	149.2	156.5	158.5
Lumber and Wood Products	69.5	63.8	56.6	62.6	66.7	63.6	64.6	68.0	68.8	66.9
Logging and Sawmills	36.9	33.0	29.1	32.8	35.4	33.5	33.4	34.9	45.4	34.8
Veneer and Plywood	20.5	19.0	16.7	17.7	17.6	16.3	16.8	17.7	17.3	15.7
Millwork and Structural										
Wood	6.2	6.1	5.2	7.2	8.2	8.8	9.5	10.2	10.1	10.4
Mobile Homes	2.1	1.9	1.3	1.5	1.7	1.4	1.3	1.4	1.6	1.8
Other Wood Products	3.8	3.8	3.3	3.5	3.8	3.7	3.7	3.9	4.4	4.2
Furniture and Fixtures	2.6	2.5	2.2	2.4	2.7	2.7	2.7	2.5	2.9	3.0
Stone, Clay, Glass and										
Concrete Products	4.5	3.9	3.4	3.0	2.7	3.1	3.3	3.6	4.0	4.2
Primary Metals	11.0	10.2	8.1	7.5	9.1	8.8	8.6	9.3	10.2	11.0
Fabricated Metals	12.7	11.2	9.8	9.4	10.4	11.0	10.6	10.2	11.2	12.3
Machinery	17.7	18.0	16.5	15.2	15.9	15.5	15.0	15.8	16.8	17.6
Electrical Equipment										
and Supplies	9.8	10.0	10.1	10.7	13.8	13.9	12.9	13.6	14.1	15.6
Instruments and Related										
Products	19.3	17.4	16.8	14.8	14.4	14.6	13.1	12.1	13.2	12.5
Miscellaneous Manufacturing	2.2	2.5	2.3	2.3	2.6	2.4	2.5	3.2	3.6	3.9
Nondurable Goods	55.5	54.3	53.0	53.8	54.5	54.5	55.0	57.1	57.6	58.7
Food and Kindred Products	24.3	23.8	23.7	24.2	24.1	23.8	23.7	24.0	23.7	23.6
Textile Mill Products	2.0	1.8	1.8	1.7	1.7	1.6	1.6	1.8	1.8	1.8
Apparel	3.2	2.8	2.7	2.6	2.8	2.4	2.3	2.5	2.6	2.7
Paper and Allied Products	10.4	10.3	9.6	9.0	9.3	9.1	9.1	9.2	8.6	9.1
Printing and Publishing	10.0	10.2	10.0	10.4	11.0	11.5	12.0	12.8	13.2	13.5
Chemicals and Allied Products	2.3	2.2	2.1	2.2	2.0	2.1	2.0	2.1	2.1	2.2
Petroleum Refining	0.6	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5
Rubber and Plastic Products	2.4	2.4	2.3	2.5	2.8	3.2	3.4	3.8	4.6	4.9
Leather Products	0.3	0.3	0.3	0.5	0.5	0.4	0.4	0.5	0.5	0.5
Nonmanufacturing	829.5	815.7	775.1	779.1	805.8	830.7	860.1	893.9	941.8	989.5
Mining and Quarrying	2.3	2.2	1.8	1.6	1.6	1.5	1.4	1.4	1.3	1.4
Construction	46.5	37.5	28.9	27.0	30.2	33.1	34.3	35.3	39.9	45.2
Trans., Comm., and Utilities	60.5	59.3	56.7	55.4	57.1	57.3	57.2	58.5	60.5	62.9
Trade	256.6	253.5	238.7	242.6	253.0	258.6	267.3	276.7	292.4	309.6
Wholesale	67.4	67.0	62.7	62.6	64.5	65.8	67.4	68.2	72.9	78.2
Retail	188.2	186.5	176.0	180.0	188.4	192.8	199.9	208.5	219.5	231.4
Finance, Insurance, and Real Estate	70.0	68.5	64.9	64.5	65.4	66.8	69.5	72.1	73.3	75.3
Services	191.4	192.1	188.6	194.6	204.5	215.6	230.2	244.4	263.2	279.9
Government	200.2	202.6	195.5	192.3	194.1	197.7	200.2	205.6	211.2	215.2
Federal	30.8	29.5	29.1	29.0	29.3	29.6	29.6	30.6	31.7	32.2
State	55.3	53.1	50.8	51.7	52.3	53.8	54.6	56.9	58.6	59.2
Local	171.1	120.0	115.6	111.5	112.5	114.3	116.0	118.1	121.0	123.7

- (1) Includes full and part-time nonfarm wage and salary workers. Job totals are on a place of work basis and are not adjusted for multiple job holders. Data are thus not directly comparable to total employment data given elsewhere in this publication.
- (2) Data for 1988 and 1989 are based on the 1987 Standard Industrial Classification (SIC) Manual. Data for years prior to 1988 are based on the 1972 SIC Manual as amended by the 1977 Supplement.
- (3) Excludes 100 or more workers involved in labor management disputes.

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.

EXHIBIT 2

COMPARATIVE NONAGRICULTURAL EMPLOYMENT
1989

	Oregon			U.S.(3)		
	Employment * (in thousands)	Percent of Total Manufact. Employment.	Percent of Total Nonagric. Employment.	Employment (in thou- sands)	Percent of Total Manufact. Employment.	Percent of Total Nonagric. Employment.
Manufacturing	217.2	100.0%	18.0%	19,611	100.0%	18.1%
Durable	158.5	73.0	13.1	11,536	58.8	10.6
Lumber and Wood	66.9	30.8	5.5	769	3.9	0.7
Furniture and Fixtures	3.0	1.4	0.2	531	2.7	0.5
Stone, Clay, and Glass	4.2	1.9	0.3	603	3.1	0.6
Metals	23.3	10.7	1.9	2,228	11.4	2.1
High Technology(1)	45.7	21.0	3.8	4,961	25.3	4.6
Transportation Equipment	11.4	5.2	0.9	2,053	10.5	1.9
Misc. Manufacturing	3.9	1.8	0.3	391	2.0	0.4
Nondurable	58.7	27.0	4.9	8,075*	41.2	7.4
Food	23.6	10.9	2.0	1,664	8.5	1.5
Textiles and Apparel	4.5	2.1	0.4	1,818	9.3	1.7
Paper	9.1	4.2	0.8	697	3.6	0.6
Printing and Publishing	13.5	6.2	1.1	15,607	8.2	1.5
Chemicals	2.2	1.0	0.2	1,093	5.6	1.0
Miscellaneous(2)	5.9	2.7	0.5	1,143	5.8	1.1
Construction	45.2	--	3.7	5,302	--	4.9
Mining	1.4	--	0.1	722	--	0.7
Transportation, Communication, and Utilities	62.9	--	5.3	5,703	--	5.3
Trade	309.6	--	25.7	25,807	--	23.8
Finance, Insurance, and Real Estate	75.3	--	6.2	6,814	--	6.3
Services	279.9	--	23.2	26,889	--	24.8
Government	215.2	--	17.8	17,726	--	16.3
Federal	32.2	--	2.7	2,988	--	2.8
State and Local	179.8	--	15.2	14,739	--	13.6
TOTAL	1,206.7			108,574		

Note: Columns may not add to 100% due to rounding.

(1) High Technology includes SIC codes Machinery, Electrical Equipment and Supplies and Instruments.

(2) Miscellaneous includes SIC codes Petroleum Refining, Rubber and Plastic and Leather.

(3) U.S. numbers are preliminary.

*Total for Nondurable Manufacturing includes tobacco manufacturing which is not included in detail.

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.

EXHIBIT 3

OREGON'S LARGEST PRIVATE EMPLOYERS
(2,000 OR MORE EMPLOYEES)

Firm Name	Major Product	Employment
Fred Meyer, Inc.	Retail Department Stores	9,700
Tektronix, Inc.	Test & Measurement Instruments	9,000
Safeway Stores, Inc.	Grocery Stores	7,800
US National Bank of Oregon	National Commercial Bank	6,525
Kaiser Permanente	Gen'l Medical & Surgical Hosp.	5,300
US West Communications	Telephone Communications	4,600
First Interstate Bank	National Commercial Bank	4,546
Kelly Services, Inc.	Temporary Employment Services	4,183
McDonald's Corp.	Fast Food Restaurants	4,100
Weyerhaeuser Co.	Lumber	4,000
Payless Drug Stores Northwest, Inc.	Retail Department Stores	3,980
James River Corp.	Paper	3,500
Roseburg Forest Products Co.	Softwood Veneer & Plywood	3,500
Boise Cascade Corp.	Lumber	3,200
Intel Corp.	Semiconductors	3,200
Freightliner Corp.	Trucks	3,150
Consolidated Freightways	Long Distance Trucking	3,100
Willamette Industries, Inc.	Softwood Veneer & Plywood	3,078
Albertson's Inc.	Retail Grocery Stores	3,086
Portland General Electric	Electric Generation & Distribution	3,000
Precision Castparts Corp.	Steel Investment Castings	2,900
Manpower, Inc. of Portland	Temporary Employment Services	2,858
Meier & Frank	Retail Department Stores	2,600
Good Samaritan Hospital	General Medical & Surgical Hospital	2,600
Hewlett-Packard Co.	Electronic Computers	2,600
Norpac Foods, Inc.	Frozen Fruits & Vegetables	2,400
St. Vincent Hospital & Med. Center	General Medical & Surgical Hospital	2,300
K-Mart Corp.	Retail Department Stores	2,237
Sears, Roebuck & Co.	Retail Department Stores	2,110
Pacific Power & Light Co.	Electric Generation & Distribution	2,115
United Parcel Service	Private Package Delivery	2,100
Bohemia, Inc.	Lumber	2,000
Red Lions Inns	Hotels & Motels	2,000
Emanuel Hospital	General Medical and Surgical Hospital	2,000
Providence Medical Center	General Medical and Surgical Hospital	2,000
Sacred Heart General Hospital	General Medical and Surgical Hospital	2,000
Salem Hospital	General Medical and Surgical Hospital	2,000

Source: Survey conducted by Oregon Economic Development Department.

EXHIBIT 4

COMPARATIVE EMPLOYMENT AND UNEMPLOYMENT RATES*

(Annual Averages, In Thousands)

	<u>Civilian Labor Force</u>		<u>Unemployment</u>		<u>Unemployment Rate</u>		<u>Oregon Rate as % of US Rate</u>
	<u>OR</u>	<u>US</u>	<u>OR</u>	<u>US</u>	<u>OR</u>	<u>US</u>	
1980	1,295	106,940	107	7,637	8.3%	7.1%	116.9%
1981	1,337	108,670	132	8,273	9.9	7.6	130.3
1982	1,324	110,204	153	10,678	11.5	9.7	118.6
1983	1,341	111,550	145	10,717	10.8	9.6	112.5
1984	1,335	113,544	125	8,539	9.4	7.5	125.3
1985	1,316	115,461	116	8,312	8.8	7.2	122.2
1986	1,360	117,834	115	8,237	8.5	7.0	121.4
1987	1,387	119,865	86	7,425	6.2	6.2	100.0
1988	1,426	121,669	83	6,701	5.8	5.5	105.5
1989	1,475	123,869	84	6,528	5.7	5.3	107.5
January 1990	1,480.8	124,400	85	6,535	5.8	5.3	109.4
February	1,446.1	124,630	88	6,594	6.1	5.3	115.1
March	1,425.7	124,830	81	6,495	5.7	5.2	109.6
April	1,450.9	124,890	72	6,770	4.9	5.4	90.7
May ⁽¹⁾	1,484.8	125,000	71	6,650	4.8	5.3	90.6

⁽¹⁾Preliminary Data.

*Monthly data are seasonally adjusted and are subject to revision.

Source: State of Oregon, Department of Human Resources, Employment Division.

ECONOMIC CHARACTERISTICS

Agriculture

Agriculture is Oregon's second largest industry, with gross farm sales of nearly \$2.5 billion in 1989. Oregon's highly diversified agricultural base reported 87 commodities each with sales of \$1 million or more in 1989. Of this number, 35 reported gross sales in excess of \$10 million. This diversity is facilitated by the State's varied topography, rich soil, and moderate climate.

Oregon agriculture continues to follow the national trend of increasing capital intensity. Agricultural employment has decreased as constant dollar output has increased. Although every county in the State is involved in agricultural production, activity is concentrated in the fertile Willamette Valley. Recent agricultural expansion has been the result of more efficient methods and increased use of irrigation.

The top 10 cash commodities for 1989 were: Cattle and calves, \$409.1 million; farm forest products, \$234.7 million; wheat, \$212.7 million; nursery crops, \$204.1 million; dairy, \$193.8 million; potatoes, \$98.1 million; alfalfa hay, \$64.2 million; pears, \$60.3 million; Christmas trees, \$57.0 million; and perennial rye grass seed \$56.8 million.

Housing

Oregon's new housing activity varied substantially more during the late 1970's and early 1980's than did new housing activity nationwide. From 1975 to 1978, national housing starts increased from 1.3 million to 2.0 million, an increase of about 55 percent. During the same period, the number of units in Oregon authorized by building permits expanded from 20,144 to 38,217, an increase of 90 percent. From 1979 to 1982, national housing starts dropped from 1.7 million to 1.1 million, a 35 percent decrease. During the same period, the number of units in Oregon authorized by building permits went from 27,588 to 7,351. The 1982 figures were only 27 percent of the 1979 numbers. Since 1982, Oregon's new residential activity has trended upward, culminating in very rapid growth in 1989.

During the late 1970's, the upturn in Oregon's economy plus the large differences between conventional interest rates and the rates on loans provided by Oregon Department of Veterans' Affairs (DVA) made DVA Oregon's largest lender. By mid-1980, the difference between conventional interest rates and DVA's rates had largely disappeared, so that DVA became a much smaller factor in the State's housing market. By 1986, data indicated that DVA garnered less than five percent of Oregon's housing sales. The trend of the past three years shows increased permit activity for both single and multi-family housing. The percentage increase in both single family and multi-family dwellings from 1988 to 1989 was higher for Oregon than for any other State.

Exhibit 5 summarizes the annual totals for building permit activity since 1981.

EXHIBIT 5

OREGON BUILDING PERMITS(1)

<u>Year</u>	<u>Single-Family Dwellings</u>	<u>Percent Change</u>	<u>Multi-Family Dwellings</u>	<u>Percent Change</u>
1981	8,016		4,102	
1982	4,881	-39.1%	2,470	-39.8%
1983	6,759	+38.5	1,634	-33.8
1984	6,244	-7.6	1,940	+18.7
1985	6,559	+5.0	5,001	+257.8
1986	7,262	+10.7	3,661	-26.8
1987	8,095	+11.5	4,619	+26.2
1988	9,249	+14.3	4,749	+2.8
1989(2)	11,816	+27.8	10,908	+129.7

(1) Beginning in 1983, data reflect an adjustment for nonreported building activity. This adjustment factor is approximately three percent.

(2) Figures for 1989 are preliminary and subject to revision.

Population

Oregon's July 1, 1989 population was determined to be 2,791,000 by Portland State University Center for Population Research and Census, the State's official bureau for population data. Since 1960, the State's population has increased by almost 58 percent. Compared to the 1980 census, 1989 population has grown 6.0 percent.

There are four major urban population areas in Oregon. The City of Portland, located in Multnomah County, is the State's largest city with a population of 429,410 as of July 1, 1988. The Portland Primary Metropolitan Statistical Area (PMSA), which is comprised of Clackamas, Multnomah, Washington, and Yamhill counties had a population of 1,179,500 at that time.

The second largest urban center is the Eugene metropolitan area located in Lane County at the southern end of the Willamette Valley. Eugene had a population of 108,770 as of July 1, 1988. The Eugene-Springfield MSA had a population of 273,700 on that date. Salem, the State's third largest city, had a population of 96,830 on July 1, 1988 (MSA: 266,300). Salem, situated in the heart of Willamette Valley, is the State Capital. The City of Medford and Jackson County were designated as a new MSA as a result of the 1980 Census. The population of the Medford MSA as of July 1, 1988 was 143,000.

As can be seen from this distribution, most of the State's residents are located in the Willamette Valley. Approximately 70 percent of Oregon's population reside in this Valley.

Exhibit 6 present comparative population information for Oregon and the United States between 1940 and 1989.

EXHIBIT 6

OREGON POPULATION GROWTH
OREGON AND UNITED STATES, 1940-1989
(As of July 1)

<u>Year</u>	<u>Oregon</u>	<u>% Change</u>	<u>United States</u>	<u>% Change</u>
1940	1,090,000	-	132,165,000	-
1950	1,521,000	39.54	151,326,000	14.50
1960	1,769,000	16.31	179,323,000	18.50
1970	2,091,500	18.23	203,984,000	13.75
1980	2,639,915	26.22	227,738,000	11.64
1981	2,660,735	0.78	230,019,000	1.00
1982	2,656,185	-0.17	232,309,000	0.99
1983	2,635,000	-0.80	234,496,000	0.94
1984	2,660,000	0.95	236,634,000	0.91
1985	2,675,800	1.52	239,283,000	1.12
1986	2,661,500	-0.53	241,104,000	0.76
1987	2,690,000	1.07	243,419,000	1.01
1988	2,741,000	1.89	245,807,000	0.98
1989	2,791,000	1.82	248,255,000*	0.99

Source: 1940-1960: State of Oregon, Department of Resources, Employment Division, Research and Statistics.
1970-1989: Center for Population Research, Portland, State University. (Estimates are as of July 1, of year shown.)
*Preliminary, Estimated.

Personal Income

Per capita income as a percentage of the national average rose steadily in the last decade from 96 percent in 1970 to 102 percent in 1979. The average increase in per capita income in Oregon for 1970 through 1980 was 9.8 percent compared with 9.4 percent for the United States. In recent years, the rate of growth of per capita income in Oregon has slowed to slightly less than the national average.

Exhibit 7 shows per capita personal income since 1980 for Oregon and the United States.

EXHIBIT 7

COMPARATIVE PER CAPITA INCOME 1980-1988
(Current Dollars)

	<u>Oregon</u>	<u>Percent Change</u>	<u>U.S.</u>	<u>Percent Change</u>	<u>Oregon as Percent of U.S.</u>
1980	\$ 9,866	7.5	\$ 9,919	9.8	99
1981	10,440	5.8	10,949	10.4	95
1982	10,581	1.4	11,481	4.9	92
1983	11,271	6.5	12,098	5.4	93
1984	12,054	6.9	13,114	8.4	92
1985	12,627	4.8	13,896	6.0	91
1986	13,136	4.0	14,596	5.0	90
1987	13,906	5.9	15,472	6.0	90
1988	14,885	7.0	16,489	6.6	90
1989(1)	15,785	6.0	17,567	6.5	90

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

Exhibit 8 shows total personal income, rates of change, and comparisons to the United States for the period from 1980 to 1989.

EXHIBIT 8

COMPARATIVE PERSONAL INCOME 1980-1988
(Million of Current Dollars)

	<u>Oregon</u>	<u>Percent Change</u>	<u>U.S.</u>	<u>Percent Change</u>	<u>Oregon as Percent of U.S.</u>
1980	\$26,063	10.2	\$2,254,076	11.1	1.16
1981	27,889	7.0	2,514,231	11.5	1.11
1982	28,263	1.3	2,663,432	5.9	1.06
1983	30,010	6.2	2,834,385	6.4	1.06
1984	32,302	7.6	3,101,163	9.4	1.04
1985	33,951	5.1	3,317,545	7.0	1.02
1986	35,500	4.6	3,519,211	6.1	1.01
1987	37,869	6.7	3,766,075	7.0	1.01
1988	41,180	8.7	4,052,992	7.6	1.02
1989(1)	44,514	8.1	4,360,919	7.6	1.02

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

(1) These figures are preliminary.

International Trade and Exports

Like other segments of Oregon's economy, geography and natural resources have played a role in the development of the State's international trade activities. The majority of the State's international trade occurs through the Port of Portland, where an efficient system for dealing with a large number of vessels has been developed, including modern grain elevators, cranes, break-bulk and containerized cargo facilities, and ship repair and drydock facilities. Other important ports are located at the coastal cities of Astoria, Newport, and Coos Bay. The State has a total of 23 port districts -- all located on navigable waterways.

The Oregon Customs District (which includes Astoria, Coos Bay, Newport and Portland, the Washington ports of Vancouver, Kalama and Longview and the Idaho port of Boise) is one of the leading export districts on the West Coast. The district had a substantial trade surplus throughout the last decade as both imports and exports grew significantly. Over five million tons of grain (about \$2.4 billion value), the principal export commodity, was shipped through the district in 1988. The value of foreign exports through the Customs District set a new record in the shipment of goods valued in excess of \$5.5 billion in 1988. The chief export items through the district include grains, (wheat, barley and corn); logs, lumber and other forest products; paper and paper products; vegetables; metal products and chemical/petroleum products. Motor vehicles by far are the leading import through the Oregon Customs District. Items for which over \$100 million in value are imported, in addition to cars, include: chemicals/petroleum products, metals/metal products, food and headwear/flat goods, computing equipment, electronic components, electrical machinery, general purpose machinery, and rubber/plastic. In 1985 after 60 years of trade surpluses, the Oregon Customs District began experiencing a negative balance of trade, primarily because of reduced U.S. grain exports and increased importation of foreign automobiles. Exhibit 9 presents value of exports and imports of the Oregon Customs District from 1981 to 1988. Customs District data do not necessarily represent products of Oregon or having Oregon for final destination and exclude certain air cargoes.

EXHIBIT 9

**STATE OF OREGON
OREGON CUSTOMS DISTRICT EXPORTS AND IMPORTS
1981-1988
(Million of Current Dollars)**

<u>Year</u>	<u>Exports</u>	<u>% Change</u>	<u>Imports</u>	<u>% Change</u>	<u>Export Surplus</u>
1981	\$3,897.6	-	\$3,008.7	-	\$ 888.9
1982	3,314.1	-15.0	2,809.4	-6.6	504.7
1983	3,699.0	+11.6	3,022.4	+7.6	676.6
1984	4,119.9	+11.4	3,846.6	+27.3	273.3
1985	3,462.2	-15.9	4,071.8	+5.9	-609.6
1986	3,110.7	-10.7	4,915.8	+20.7	-1,805.1
1987	3,624.0	+16.5	4,850.0	-1.3	-1,266.0
1988	5,522.5	+52.4	6,501.8	+24.8	-529.3

Source: International Trade Institute, Portland State University.

Tourism

Oregon has many outstanding features which favor development of tourism. The State is well-known for protection of its clean environment and natural scenic beauty. Within State boundaries exist major mountain ranges, vast coastal and desert regions, and multi-use and wilderness forest areas. The State has over 400 miles of seacoast, 47,000 miles of streams, 1,400 lakes and reservoirs, 225 State parks, and a national park. While summer is traditionally the peak vacation season, tourism contributes all year to the State's economy and is enhanced by a mild, comfortable climate throughout the year and a wide variety of available leisure activities.

Tourism activity in Oregon is determined by a variety of measurements including visitor counts and other economic indicators. In 1988, 489,339 travelers visited Oregon's 10 State-operated Welcome Centers at border locations, nearly 100,000 more people than 1987's count. Room tax revenues were up an average of 18 percent statewide; hotel/motel occupancies increased more than seven percent during the year; and travel-information inquiries in the State Tourism Division increased more than 100 percent during 1988 over 1987 (as of November 30, 1988, 170,099 inquiries vs. 83,674 in 1987). By these and other indicators, 1988 appears to be a banner year for the visitor industry in Oregon.

The overall economic impact of tourism is difficult to determine, as this industry consists of segments of many other business sectors. Eating and drinking establishments receive the largest portion of travel-generated expenditures; retail sales and accommodations follow closely; and business related to automobiles and transportation receive the next largest portion. In addition, economic impacts occur when businesses supplying air transportation support facilities and work forces in the State expand or contract to serve their national and international patrons.

Research conducted in 1988 for the Tourism Division indicates that travel-related expenditures amount to just over \$2 billion annually in direct revenue and generate approximately 44,000 jobs. This research also determined that approximately 30 percent of Oregon's out-of-State visitors are from California, 12.5 percent are from Washington, and eight percent are foreign visitors (5.8 percent Canadian). Sixty-two percent of these visitors travel to or through the coast, and 61 percent visit the Portland-Mt. Hood-Columbia Gorge region. Just over half travel by car, and nearly two-thirds are repeat visitors. The most popular visitor pastimes are sightseeing, shopping, visiting friends and relatives, visiting a historic site or area, pursuing outdoor recreation, and viewing wildlife.